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25 SEPTEMBER 1991



# ***JPRS Report—***

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# **East Europe**

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# East Europe

JPRS-EER-91-143

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25 September 1991

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**Vavrousek on Ecological Issues Facing Europe**  
*91CH0900A Prague TVORBA in Czech No 34-35, 1991  
pp 8-10*

[“Text” of speech by Josef Vavrousek, chairman of the Federal Committee for the Environment for the CSFR, at the Dobris Conference on the European Environment; date not given: “The Environment: A Case Study”—first paragraph is TVORBA introduction]

[Text] Following is the text of a speech made by Josef Vavrousek, chairman of the Federal Committee for the Environment for the CSFR, at the Dobris Conference on the European Environment, dealing with the topic of protecting the environment and European integration.

We Europeans are witnesses, victims, but at the same time even the originators of the continuing degradation of the environment, both on a continental scale and also on a global scale, some of which could be irreversible. In all countries, we are confronting serious ecological problems which have a dramatic effect upon human health and the economy, even though in some regions of Central, East, and South Europe these problems have become particularly acute as part and parcel of the undesirable heritage left behind by totalitarian regimes. Our emissions of acid-forming compounds, greenhouse gases, and other types of contamination are contributing to an increase in dangerous global problems, such as acid rain, the destruction of the ozone layer, and climatic changes on a worldwide scale.

However, we also have new opportunities. One of these is the general heightening of the ecological awareness among the broadest public and among the majority of the political forces of our continent. A second opportunity is based on the efforts of Central and East European countries to create democratic political structures and—at the very least in some regions—to provide a foundation for a socially and ecologically oriented market economy. We may either utilize this opportunity or lose it.

More concentrated, more coordinated pan-European activities, which enjoy strong support, can expressly improve the environment, they can even create a natural basis for the next integrated Europe, or perhaps even the entire planet, which is equally important. If we lose these opportunities, we risk the deepening of the frustration of people, particularly of the young generations; in Central and East Europe, we even risk an explosion of efforts to renew totalitarian regimes or to introduce uncontrolled market economies, both of which would lead to further merciless devastation of natural resources and to the further destruction of the environment.

Even now, we are quite considerably late if we wish to take some kind of deliberate action to support the environment, if we wish to provide better coordination for solutions of our ecological problems, and if we wish to respond to related political, economic, and social questions. Unilateral and isolated partial activities can

be only partially effective in view of the complexity of human behavior and due to the interconnection of both continental and also planetary ecosystems.

It is time to weigh the degree of threat and the opportunities to achieve rectification, to analyze the situation, and to reevaluate our plans and strategies. We are at a crossroads which has many question marks and many possible solutions. In my opinion, the three following tasks are the most important:

- a. To achieve fundamental improvement in the functioning of existing European institutions dealing with the protection and creation of the environment, both on a national level and also on an international level, and to integrate them into a pan-European system or “mechanism,” which would coordinate efforts to improve the environment on the continental level; this future European system for protecting and creating the environment should then be established as part of a similar system for protecting the environment on a global scale.
- b. To create and adopt a program for the environment for Europe and periodically review it as a common framework of activities aimed at protecting and creating the environment; we should regard Europe as being a unique and extremely fragile ecological unit.
- c. To search for human values and ethics involved in a permanently sustainable development as a basis for the type of life which would once more bring humankind into harmony with nature.

All of these goals are mutually interconnected. We cannot plan the renewal of the environment in Europe without having a well-functioning mechanism for evaluating pan-European situations, established priorities, and without making the most efficient use of human, informational, and financial resources and activities; we cannot hope for an improvement in the environment without deep changes in attitudes toward life, without reevaluating the criteria for decisionmaking in our private and public life.

**A. The Future European System for Protecting and Creating the Environment as Part of a Worldwide System**

An analysis of the actual status of the system for protecting the environment in Europe indicates that it is important to achieve the first goal of the conference. The first glance already indicates that it is clear that the situation is extremely unbalanced. The western portion of Europe has generally well-established national organizations for protecting the environment, whereas in the post-totalitarian countries of Central and East Europe there are only the newly established ministries for protecting the environment or other organizations.

What is even more dangerous is the fact that the inevitable demise of the Council for Economic and Mutual Assistance (CEMA), which was based on the political domination of its largest member country, means the

demise of platforms for coordinating national activities in Central and East Europe. On the other hand, in the western portion of our continent, there are several overlapping international or even national organizations working in the environmental protection field which are doing extremely important work, but frequently without adequate coordination. The imbalance between the "institutional vacuum" in coordinating environmental activities in Central and East Europe on the one hand and the "institutional overcrowding" in West European territories, on the other hand, does not create a solid foundation for the desirable and necessary improvement in the status of our common environment. The natural consequence of this situation is the nonexistence of a pan-European ecological policy.

However, there is also inadequate coordination on the global scale. The United Nations Environmental Program (UNEP), the solitary worldwide organization for environmental protection, is primarily occupied with developing countries, which is very likely the only method by which limited resources can be utilized in a sensible and just manner. The institutional framework for global environmental protection and creation and its financial support within the United Nations system are factors which are not adequate for the extent, seriousness, and fatal threat of destroying the environment on our planet. We must make use of the United Nations Conference on the Environment and on Development, which will be held in Brazil next year, so that the position of the environment might be substantially strengthened throughout the structure of the United Nations, with special emphasis on Europe.

There are several opportunities to improve the institutional framework of collaboration in the area of the environment on our continent.

The first natural step is to organize regular conferences of all European ministers responsible for the status of the environment (most likely, once a year), in the inspiring spirit of the Dublin and, let us hope, also the Dobris traditions. By the way, from this particular viewpoint, Europe is way behind Africa, where such conferences have been held since 1985, and behind Latin America and the Caribbean region. These conferences could be converted into an Environmental Council of European Ministers, perhaps with a limited administrative staff, which would meet on a cyclical basis in European countries. The council could oversee the evaluation of the status of the environment on our continent, could set priorities and goals, and determine activities designed to meet these goals, it could coordinate the establishment of a European monitoring and informational system, it could strengthen and unite European legislation in the environmental field, and develop a pan-European strategy for renewing the environment, a strategy which should encompass concentrated programs and projects together with adequate financial support and a system of ecological education. The council should develop its activities in close collaboration with ecologically oriented nongovernmental organizations.

Another step in the direction of a European environmental protection and creation system should be the establishment of a European Environmental Agency (EEA) as a pan-European institution, corresponding to the proposals of European societies, but which would, from the very beginning, be open to all interested countries of our continent on the basis of equality. The agency could be financed by all of its member countries and could be directed (or controlled) by the conferences of the Environmental Council of European Ministers. The Czech and Slovak Federal Republic would be pleased to have this agency located in Prague. The agency could play such an important role in a future Europe that, in this case, we could forget the principle, according to which "no new institutions" should be created, particularly should the existing European ecologically oriented institutions become integrated within the framework of the European environmental protection and creation system, which would have a special, well-interconnected, and coordinated role. This system could have a very "planar" network structure without creating new bureaucratic and centralized monsters.

All of these steps will assist in the creation of a future European environmental protection and creation system which would operate both under normal circumstances and also in emergency cases in the case of disasters and calamities, which would encompass all existing European organizations aimed at protecting and creating the environment, particularly the already existing institutions of the European Community. This system could make a basic contribution to increasing the efficiency of activities in the environmental field and could serve as a model for the next integrated and at the same time decentralized Europe.

The nascent European system for protecting and creating the environment should be viewed as an integral portion of a future specific worldwide system. The current global economic situation is so bad and the momentum of current economic, social, and political trends leading to the exhaustion of natural resources and the destruction of the environment is so great that there is no other choice. We Europeans must make a contribution toward changing the existing United Nations system which is overburdened by a long tradition of the "multiple-layer" approach and strengthen ecological thinking within it. An efficient United Nations system for protecting the environment, which is oriented toward the deliberate utilization of natural resources on our planet and the revival of its environment, can form one of the principal pillars of the entire UN system, together with the UN security system to prevent conflicts and threats or a force to solve these conflicts and threats, with the UN economic system supporting development and the UN social system aimed at education, culture, health, and other aspects of social life on our planet. Let us hope that by coordinating the activities of the four UN systems we may find a better solution for existing problems and prevent future ones by renewing the foundations of mutual unity among mankind and nature.

There are several possibilities for strengthening the "fourth pillar" of the United Nations system. The most promising is to establish a World Environmental Organization (WEO) as an agency to coordinate ecological efforts on a global scale. A future WEO could be established using the existing structures of the UNEP. The proposed WEO should contain the idea of a "planar" network of an institutional structure with a comparably small coordination center which could be established on the basis of the existing UNEP Secretariat in Nairobi and which could have several truly autonomous continental environmental protection centers pursuing the same, generally "planet-wide" strategy. One of these centers could be the European Environmental Protection Agency of the United Nations (EEO) which could come into being from the regional UNEP office for Europe or from the UN European Economic Committee. The EEO could also play a part as the Secretariat for the Environmental Council of European Ministers and, in this way, be an actual integral part of the proposed European environmental protection and creation system. Similar developments should be supported on other continents—we may anticipate the establishment of a United Nations African Environmental Organization, a UN American Environmental Organization, etc. The extent of activities of the various continental environmental organizations could be quite varied—it would most likely be broader on continents whose territory is divided over a large number of countries (such as, for example, Europe) and narrower on continents housing a small number of countries.

The future World Environmental Organization, including the European Environmental Organization, could form one of the basic building blocks of a world security system, responsible for security in the environmental area on our planet.

To the extent to which we consider the idea of an Environmental Council of European Ministers to be a productive one, we can decide, at this conference, that we recommend it to our governments and that we shall establish it as soon as possible. To the extent to which we can collectively support the idea of a UN European Environmental Organization within the framework of a universal UN World Environmental Organization, we may recommend it as one of the key subjects for discussion in the third basket of the UN Conference on the Environment and on Development in Brazil for next year.

#### B. On the Environmental Program for Europe

The existing, and moreover the threatening problems of the environment on our continent are mutually interconnected by numerous and frequently complicated threads. We may see the unfavorable effects of our activities far from the locations of their origin with shorter or longer time delays—we are threatening the present as well as the next generations and even life itself on our planet. The traditional "cause and effect" scheme, as an immediate feedback instrument which is deeply anchored in

our thinking, is not functioning; it may no longer be used as a basic rule for decisionmaking. The power of "northern" countries—for example—is based on emissions of carbon dioxide, which contribute to increasing global temperatures and thus cause a rise in the levels of the oceans which threaten Bangladesh.

We live in a world where no single country or group of countries can use its own isolated efforts to assure protection of the environment without taking into account how intensive these efforts are. We are living in a mutually dependent world where solidarity between various nations, countries, and continents is not only a manifestation of altruism, but also of wisdom.

I believe that we Europeans are in need of an entirely undivided environmental program for our continent as a framework for coordinated national and international efforts. This program could be the most important consequence of the proposed European environmental protection and creation system and could, at the same time, be the means for strengthening it.

The European environmental program should primarily set both the priorities for the rectification or elimination of environmental damage and should prevent further damage on the continent. European strategy in this field would then be focused primarily on the following:

- a) Creating a unified monitoring and information system for the environment in Europe.
- b) Unifying and strengthening European legislation in the environmental area.
- c) Creating effective economic instruments within the European economic system.
- d) Perfecting the level of European research, education, and training in the environmental area.
- e) Supporting technological programs and projects aimed at renewable energy resources, reducing the volume of waste products, and supporting ecologically frugal technologies and products.
- f) Initiating specific European regional programs and cooperative projects oriented toward solving the most important ecological problems in critical areas and toward renewing the ecological stability of the European countryside.
- g) Creating resources intended for realization of the environmental program for Europe, to include human resources, financial resources, information resources, and others.

Let us, for the moment, set aside considerations of political borders outlining our continent and let us rather concentrate our attention on more natural lines dividing watersheds and maritime regions, industrial areas, residential areas, and agricultural regions, foothills, and historical linguistic and cultural regions; some encouraging examples already exist, such as the cleanup of the

Rhine River watershed. This example should be followed by efforts to clean up additional international watersheds, such as the Oder River, the Danube, and others.

Complicated ecological, economic, and social problems can be solved by countries such as Czechoslovakia only in collaboration with their neighbors; in this area, this will involve particularly joint programs in the industrially polluted Silesia or in the "black triangle" of Czech, Polish, and German coal mines close to our common border, a project which will be even more difficult.

A future European environmental program could be one of several integrated pan-European programs, including the European energy program, proposed by the prime minister of the Netherlands, capable of responding to present and future dangers. It is vitally important to integrate ecological awareness with socially and economically oriented development. On the other hand, the European environmental program should be a contribution toward the desirable global ecological program, which could possibly be coordinated by the proposed World Economic Organization. This free network of mutually interconnected programs could establish a long-term permanent general strategy for permanently sustainable development on the continental as well as on the global level, and yet retain the essential flexibility of regional, national, and international organizations. All of these ideas can be realized only with the support of countries which have long years of experience in the area of the environment. That is why I am pleased that our colleagues from the United States, Canada, and Japan are here with us.

#### C. The Search for Human Values To Achieve Harmony Between Humanity and Nature

This search is the most essential, but also the most difficult to achieve goal of our conference. Europe was the cradle of human values which virtually changed the entire world, represented an enormous social leap forward in some locations on our planet, but, at the same time, created complicated ecological problems by the rapid drawing down of natural resources on our planet, by killing large quantities of species, and by destroying many special, but also sensitive human cultures on all continents. We must learn from history and from our fateful mistakes. At the same time, we should again discover the value of modesty and we should remember that people long ago knew the secret of coexisting with nature and that this art continues to exist in many parts of the world.

We must again introduce responsibility for our lives and for the environment of man among the criteria of our decisionmaking. We must protect nature not only for the good of mankind, but mainly for its unique internal value. We must again discover Albert Schweitzer's philosophy of "respect for life." We must also find sufficient wisdom to analyze the enormous quantity of knowledge

which has been accumulated by people in recent centuries and decades, derive several general rules for human conduct from this knowledge which are compatible with permanently sustainable development, and we must adopt these rules.

I hope that you consider these three principal topics of the conference to be important and urgent—something which can be judged even on the basis of your presence here. The upcoming brainstorming discussion should concentrate primarily on precisely defining open questions because this is the only way of finding useful answers. We do not have overly much time and our responsibility is enormous. We ecologists should not only see to it that we get a more efficient institutional structure and prepare a better program for the environment, but we should also offer people new and less egoistic life-styles.

#### Support for Resolute Removal of Hard-Liners

*91CH0880B Prague SOBOTNI TELEGRAF in Czech  
20 Aug 91 p 2*

[Article by Bohdan Dvorak, chairman of the Central Council of the Club of Nonaligned Activists: "Is Debolshevization Really Only Destructive?"]

[Text] The Club of Nonaligned Activists [KAN], together with the Confederation of Political Prisoners, is the initiator of the process of debolshevization which we jointly announced during the demonstration on 28 October 1990. Since then, this word has become a part of our political vocabulary to the extent that it was taken over even by the Communists, who want to "debolshevize the Communist Party of Czechoslovakia [CPCZ]" within the framework of the Democratic Left. We are being attacked from the left, but surprisingly from time to time also from the right, on the grounds that this process is allegedly not constructive, that KAN only uses it to promote itself, and that we do not have a positive political program.

KAN has had its political program since 26 January of this year, when the political conference approved it. If not identical with, it is very close to the programs of other democratic parties. And if the demand for debolshevization is what differentiates KAN from other parties, it is appropriate to go back and recapitulate what this concept means to us.

In 1968, KAN and K 231 (today KPVC) opposed the leading role of the CPCZ, and therefore during the period of normalization, which for us began by the prohibition of activities already on 29 August 1968, our members were subjected to psychological and existential genocide. Although the leading role of the CPCZ was theoretically abolished in December 1969, in practice it was applied perhaps more than ever. The only group of citizens of this country which was fully rehabilitated were CPCZ members who were expelled from the party and public life following the 1970 screenings, and that reduced even more the possibility of vindication of the

non-aligned who for 42 years were discriminated against by the cadre ceiling. The practical impact of this situation has been enormous. The ordinary citizen refuses to identify with the "revolutionary process", the only result of which is a further deterioration of the economic situation of those who used to be exploited by the totalitarian power; at the same time, its former exponents have increased their influence still more, which must be taken by all citizens as a mockery. Moreover, this state of affairs is a breeding ground for those political forces which do not blame the real culprits for this moral White Mountain, but those who are desperately trying to clean up the inherited Augean stables. However, in contrast to the example from antiquity, they do not have a river at their disposal, only tiny spoons. It is worth noting that of the parties not represented in the parliament, only KAN, the Republican Union, and the Christian Democratic Party-Civil Liberty Movement support the reform efforts of the government.

Let us then search here for a common solutions for all those who did not forget why they in fact went into the streets. We wanted to rid this country of the criminal government of the Communists who led us into an economic and ecological disaster, while they replaced a mature European democracy with a Byzantine system full of corruption and treachery. From this point of view, the demand for the debolshevization of society is as relevant now as it was two years ago. We are convinced that it is a highly constructive program, essential for restoring trust in the morality of the system being built. We shall either hobble our way back to communism in the Balkan style, or we shall choose the European way, as it is indisputably exhibited in practice by democratic Germany, which, taught by the process of denazification, easily managed the problem of making the names of the STASI agents public as well as preventing activity by the nomenklatura network. Punishment of the Stasi chief Mielke for a crime he committed back in the thirties presented no problem, nor did a real compensation of political prisoners from the time of communist despotism. After all, a legal state must mean above all a return of justice, not a preservation of a communist legislation supplemented by a Charter on Human Rights.

We believe that it was precisely the unrelenting demand for debolshevization that was the reason for the success of KAN in the local elections. Where KAN had its independent ballot, it received from 18 to 30 percent of the votes, while at present KAN in many towns is the initiator of building coalition democratic blocs. In contrast to some rightist parties, whose only virtue is their name, we want to create a really functioning coalition of democratic forces which will have an influence in every community. At present, KAN is the only political organization developing real activity on the territory of the entire federation. That, too, gives us the right to claim that the demand for stopping the influence of former nomenklatura cadres is the demand of the great part of our society, including the necessary prerequisite of all positive programs of democratic rightist parties.

#### Right-of-Center Deputy on Parliament's Work

91CH08804 Prague SOBOTNI TELEGRAF in Czech  
20 Aug 91 p 2

[Interview with Federal Assembly Deputy Vaclav Benda by Kveta Prochazkova; place and date not given: "We Protest Nonpolitical Politics"—first paragraph is SOBOTNI TELEGRAF introduction]

[Text] Vaclav Benda, chairman of the Christian Democratic Party [KDS] and Federal Assembly deputy, belongs among the most frequent debaters who call in question the "substance" of discussions that take place in the course of the parliament's work. But a good politician, same as a good pedagogue, does not condemn such conduct. It is precisely such "angry" politicians who show the many sides of a problem, throw light onto it. They are the salt of parliamentary diet, making it more digestible.

[Prochazkova] People do not talk about the work of the parliament in the most complimentary of terms. What would you, ever the doubter, say about it?

[Benda] Our parliament is an accurate reflection of the results of the unfortunate policy whose co-initiator was Vaclav Havel and against which we have been emphatically warning for the last six months. Under the slogan of non-political politics the importance of independent individuals is emphasized and political parties are attacked. The elections took place in a situation when political parties played only a marginal role, and so people totally independent of each other became members of the parliament. If no universal party interest unites them, then necessarily in the course of time they will begin to unite on the basis of other interests: individual, national, professional, or social, which gives rise to the danger of anarchy or the emergence, for instance, of a regime of the Franco's Spain type. Fortunately, neither of these processes took place in our parliament (although we see a certain danger of it in Slovakia), because differentiation of political life could not be prevented. However, parties, which should have been established before the elections, crystallized only during its course, and that did not help the work of the parliament or the voters' confidence in the deputies. That is not the deputies' fault, that is not the voters' fault, that is the fault of the political system that was improvised during the November days. Today everybody, including the President, admits that it was a mistake, but we again hear calls for independent individuals and a presidential regime, instead of admitting with some measure of humility that we were mistaken and that a democratic system cannot function without political parties.

[Prochazkova] The leftists claim that the main danger looms from the right. You will no doubt tell me that the danger is on the left. I would be interested to know why you think that.

[Benda] The danger, whether consciously or unconsciously, indeed looms from the left. Its adherents do not have democracy in their blood; they are constitutionally unable to tolerate it, and they still want to force on people their own ideas, although people have had their fill of them. The right does have a small majority in the parliament, but it, too, has its faults. The coordination of the rightist groups is not entirely what is needed. The left is basically at an advantage, because it has what I call a class instinct. If you wake them up five minutes before midnight, they will nevertheless unfailingly vote, without having any information at all, as one man for the leftist version. The right is democratic and a little undisciplined; every deputy needs to have it explained for three days running what is needed before he is convinced and willing to fall in line and vote accordingly. The left also has a better work discipline than the right. The Communists sit in the parliament from morning till evening, but our deputies are always running off somewhere, they have thousands of concerns and interests, and so when it comes to voting they are sometimes unnecessarily absent.

[Prochazkova] The Christian Movement often experienced bad luck after November. When you left the Civic Forum [OF] prior to the elections and created the Christian Democratic Union [KDU], which, according to public opinion surveys, had considerable ambitions, LIDOVE NOVINY claimed day after day that it was a bad move, because the task of the Christians is to be dispersed and active throughout all political parties. During the pre-election truce Jan Ruml spoke up and publicly accused the chairman of the Czechoslovak People's Party. Irrespective of whether J. Bartoščík was or was not an agent of State Security, it cast a shadow over the first joyous elections, because this sort of thing is just not done. And now the Christian coalition broke up completely. What do you intend to do?

[Benda] Our party made an unfortunate move by deciding to leave OF (of which we were the founders and members) only on 24 March 1990. It was necessary to leave OF, but it should have happened sooner, and not at the time when the ballots were already closed. Some candidates refused to respect the decision of the congress and they stayed on the OF ballot. That is why we were forced to look for an alliance with the People's Party; maybe it was a mistake from the beginning.... Several weeks ago, workers of the People's Party registered a new political movement with the Ministry of Interior, the Christian Democratic Union, which, according to the submitted articles of association, is entirely in the hands of the People's Party. However, objections and efforts to block this title, so that none of the founding parties of the union could use it independently, do not help. At stake is precisely this name, actually lent to the union by us, because the People's Party does not have very good prospects in elections under its own name. It is well aware of it, because it intends to keep the name of the union even if it has to form an association with its Christian women. For us that is unacceptable, because

many citizens do not distinguish between KDU and KDS, and that could have a bad impact on our election results. Because for the past year the Slovak Christian Democratic Movement has been exhibiting a growing respect for nationalistic tendencies and is more leftist (at the very least, more pro-Soviet), our alliance with KDH is to a certain extent a problem for us. At present, we tend to count more on other political parties of a rightist orientation.

[Prochazkova] Thank you for the interview.

#### **Former Soviet Army Camp Not Yet Secure**

*91CH0876B Prague MLADA FRONTA DNES in Czech  
24 Aug 91 pp 1-2*

[Article by Vlastimil Horák: "Agents From Milovice? Latest Findings in the Former Military Area"]

[Text] In the past few days special teams ferreted out several suspicious Soviet "tourists" without valid documents, but unhappily no one could be found to take care of their next fate; expulsion from the country. Virtually all former soldiers, they move freely in the military area and its vicinity and make use of their knowledge of it to hide here. And so gasoline from the Soviet Army's underground tanks continues to flow to nearby localities, and even weapons have been secured on several occasions. Shops in the area have suffered theft mainly of food and alcohol. But most startling is that in some places—as it appears—someone is still taking advantage of opportunities for long-distance connection and monitoring of both telephone lines and radio transmitters. Even though the vast majority of the troops of the USSR Central Group of Forces have vacated Milovice, not all of them left. The military area measuring roughly 10 by 20 kilometers and its adjacent vicinity thus continue to live in a remarkable symbiosis.

#### **Weapons and Hideouts**

Although the Soviet army confirmed as early as in January that "special" munitions were the first to be removed from our country, last month strange minethrower grenades were found in a concealed place. Secret underground caches also are the source from which flow to our black market weapons for sale, mainly at the Letna bazaar in Prague. These findings have led to the setting up of a special team of criminal and military police who are already at work in uncovering secret caches of ammunition, weapons, special military equipment and hideouts of Soviet army deserters. Last week the group liquidated tens of kilograms of artillery and infantry ammunition and other pyrotechnical materials. Also, its members are gradually discovering and mapping hiding lairs outfitted for long-term stay.

#### **Dead Water**

This week the team's specialists found a number of extremely toxic materials, for instance whole bags of a white powder and metal cans with an oily liquid. All this

is now undergoing detailed chemical analysis. It was found that the Milovice creek running past the army camp has not escaped contamination either. Not only is the water totally dead but according to information from local citizens there is a quantity of unexploded ammunition on its bottom.

#### Transmissions and Agents?

Inhabitants of Milovice persist in complaining that during the night hours someone disturbs their radio and TV signals. The disturbance is said to be the same as when the Soviet soldiers were still there. A surprising find was that within the military area as well as beyond there are terminals of long-distance cables to which it is possible without the slightest problem to attach a telephone and call all over the world. Naturally this may be misused for tapping as well.

#### Nuclear Weapons

In a strictly secret area near the Zbozicko-Lustenice village structures were found of a still unknown purpose which owing to their massive size and accoutrements suggest the possibility that they may have been used for medium-range missiles, that is, those capable of carrying nuclear warheads. A similar structure is found also near the village of Benatecka Vrutice. Some locals confirmed to us that a truly massive underground construction work went on in these localities during the 1970's. Earlier more detailed researches also indicate that the Soviet army housed nuclear rockets in close proximity to Prague.

It is true that some of our security agencies tried already during the year to gain a picture of what the Soviets are hiding and where. Nevertheless the area which housed the top command of the USSR Central Group of Forces has remained virtually a white spot on the map. The investigation of this land area now being carried on by specialists from security agencies surely cannot be effective without further help from appropriate technical means and greater willingness of local citizens to cooperate.

#### Minister Explains His Agricultural Position

91CH0857A Prague ZEMEDELSKE NOVINY  
in Czech 10 Aug 91 pp 1-2

[Article detailing 9 August Civic Democratic Alliance press conference: "Minister for Ordinary People?"]

[Text] Prague (mak, pen)—Representatives of Civic Democratic Alliance [ODA] yesterday invited to their press conference the minister of agriculture of the Czech Republic and a member of that party, B. Kubat, who explained his agricultural program.

In his introduction he said that the main idea underlying this program is the privatization of agriculture. It can be achieved, he said, only by a transformation according to proposal 3T, which contains all the conditions that are

being called for today. To the question whether he intends to abolish the cooperative system, as is being asserted, for example, by representatives of DAK MOVA Bratislava and some politicians, he answered that he does not. His only endeavor is to replace socialist cooperatives with free cooperatives of owners. He also rejected all predictions of disastrous food shortages. We asked him to explain why in the second half of last year he prohibited the export of surplus cattle, which he justified precisely by the possibility of meat shortages by the end of this year. We then asked whether this prohibition, together with the subsidies given for breeding young cattle, was the cause of the present oversupply of beef. "The export of young animals became very lucrative last year," he replied. "They sold for 6 to 8 German marks [DM], whereas cattle ready for the slaughterhouse only sold for DM1. Agricultural enterprises were therefore interested in exporting young animals, not slaughter-ready animals. That might have brought about a shortage of meat. It has no bearing on the present oversupply of meat, however, because calves, especially, are not yet ready for slaughter...."

On the policy of subsidies for raising cattle the minister stated: "We gave subsidies for raising young cattle and heifers to enterprises working in operationally economical groups of 20 or higher. That made it possible to reduce the number of cows by 100,000 heads. Therefore we also have a lower production of milk. Saying that we have a surplus of milk here is demagoguery. Supply and demand are only now beginning to come into balance. If we gave these subsidies, we knew why. I reject the view that we caused overproduction by giving them," said B. Kubat word for word.

He then spoke about the principles that regulate the marketing of milk products. "I am concerned about the possibility of encountering problems at this time. We must find the correct formulation of this decree, which should go into effect in August. The point is, if we pay farmers a flat rate of 5.4 Czech korunas [Kcs] per liter of milk, the prices of milk products on the market will increase by 25 to 30 percent. There will be more hoarding of the surpluses and we will have to expend more resources for exporting them. If there is a lot of surplus, the export organizations will sell under the price, and that will open up opportunities for market machinations."

We reminded B. Kubat that the decree on regulating the milk market is the decree of his ministry, and that we already published it together with the information that it goes into effect on 11 August. "But thus far not all parties have approved it," he said. We told him that we have information to the contrary, that there is general agreement on it. "We expect that we shall be discussing it as early as today (Friday) or on Monday. The legal interpretation will be important. As minister, it will be my job to see to it, first and foremost, that the dairies fully supply the domestic market."

The minister next expressed his view that our agriculture spends too much money on production. But then he contradicted this statement by giving the case of starch production as an example. He said that our starch producers make it at a cost comparable to that of the German starch producers. Of course, according to Mr. Kubat we are poor, whereas our neighbors can subsidize their export up to 50 percent, so that their products are easier to sell on world markets....

We also asked him two, in a narrower sense of the word, more politically oriented, questions. We reminded Minister B. Kubat of the opinion, rather widely held by the public, as to why he is so actively engaged in uncovering the "Slusovice mafia" when he certainly has more than enough worries concerning his own department, and whether the investigation of possible criminal activity does not really fall under the jurisdiction of the Ministry of Interior. Does he not trust the professional ability of T. Sokol's staff, or did B. Kubat perhaps decide that there is political capital to be gained from the fight against the mafias, as well as support of certain political groupings?

"I categorically refuse to gain any political capital from these matters," answered the minister of agriculture. "I would say that my approach to this problem is considerably non-political. Many politicians advised me that precisely as a politician I should not get involved in these matters, that I should merely turn the appropriate material over to the appropriate agencies. But I must get involved in these matters absolutely on principle. If this enterprise (DAK MOVA Slusovice) does not pay taxes, and owes other cooperatives and other state enterprises—even those that do not belong in the department—amounts in the hundreds of millions, I am forced to resolve the problem. We must also oversee the distribution of property according to law No. 162/1990, CSFR Law Gazette.

"And I have another reason: I believe that a minister should be a minister for the ordinary people. I have been visiting them from the very beginning not only in Slusovice but also in other similar special enterprises. One learns quite a lot from those people.... And I say and I shall keep on saying it until the situation changes: As long as people in many agricultural cooperatives, and in Slusovice especially, are afraid to express their opinion, as long as they are afraid to move freely, meet with certain people freely, as long as the State Security mafia is at the head of these enterprises—until then I am obligated to get involved and resolve the matter. The fact that I have been cooperating in this matter with the Czech and the Federal Ministry of Interior is absolute proof that I do trust these agencies, more or less," said B. Kubat.

We asked ODA chairman P. Bratinka which political parties he thinks would support B. Kubat in the presidium of the Czech National Council when Pithart's proposal for the minister's recall comes under discussion, and whether ODA has already discussed it with

some partners—for example, as we hear, with ODS [Civic Democratic Party] after Klaus' departure for Australia. "We have been receiving some 'reports' about it, but generally I can say that it is still not certain. At issue, you see, is not just Minister Kubat's job.... Many people are dissatisfied with the performance of Prime Minister Pithart and there is a question mark concerning his position as well. I see no reason why only Minister Kubat's position should be discussed, when the same shortcomings could be found in others—if you direct your attention to them in this sense. First, nobody's work is perfect, and second, Prime Minister Pithart in a number of situations—for example in dealing with Slovak representatives—did not show results."

P. Brezinka denied that ODA discussed B. Kubat with the Civic Democratic Party recently. He stated that the situation is evolving from day to day, that many political parties do not want to commit themselves in any way, and any further remarks could influence the situation to ODA's detriment.

#### Did Klaus Give Guarantee?

"We have assurances that ODS chairman Vaclav Klaus gave a personal guarantee to Petr Pithart that he will support the recall of Bohumil Kubat. It seems absurd to us, therefore, that Vaclav Klaus would on one hand articulate his expert objections to the leadership of the Ministry of Agriculture in this way, which, by the way, he already expressed for the first time at the end of last year, and that on the other hand ODS would vote in the Czech National Council against recalling Minister of Agriculture Bohumil Kubat." That was yesterday's statement of Lubor Kinst, secretary of the Civic Movement. Can it be that in the case of ODS and V. Klaus the head at that time did not know what the body wanted, or that the body did not know what the head was doing?

According to yesterday's statement of ODS Deputy Chairman Petr Cermak about the proposal of P. Pithart for the recall of the Czech Republic Minister of Agriculture B. Kubat, the ODS club of the Czech National Council will hold discussions on 20 August 1991 with ODS Chairman Vaclav Klaus, Deputy Prime Minister of the Czech Republic Jan Strasky, and Deputy Chairman of the Czech National Council Jan Klavoda present. The ODS leadership made no promises to anybody regarding this matter.

#### Skoda Engineering Indecisive in Choice of Partner 91CH9857B Prague HOSPODARSKE NOVINY in Czech 14 Aug 91 p 7

[Article by Marcela Doleckova and Richard Stregl: "Whither the Winged Arrow?"]

[Text] The tensions surrounding our largest machine tool and electrical engineering concern Skoda Plzen (and Skoda Prague) continue to increase. And the closer the privatization, the more they increase. The reason is not

so much the importance of this giant for the Czechoslovak economy, but rather the fact that the views of the Czechoslovak participants differ on the method of privatization and the future of the concern generally.

On the one hand, there are voices in favor of retaining the Skoda Works in its present state, on the other hand, it is recommended that it be divided into several smaller units. There is talk about an umbrella holding company, but also about full independence of the potential new units. Some recommend a single foreign partner, others, on the other hand, maintain that the giant should have several. The identity of the Skoda Works, which "must" be manifested by its majority share, is being promoted, but it is also being argued that a minority share of foreign capital will not be to its advantage.

HOSPODARSKE NOVINY also wanted to hear the views of some potential foreign partners. We therefore posed the same questions to three candidates who became, at least in some of the manufacturing divisions of the Skoda Works, part of the small select group: the German firm Siemens, American Westinghouse, and Swedish-Swiss Asea Brown Boveri (ABB).

1. What is the main reason for your interest in cooperating with Skoda?
2. What kind of cooperation do you have in mind?
3. Would your company agree with a minority share in the potential joint venture?
4. Would you object to a possible holding company arrangement with the participation of other foreign companies?

These questions were answered by: H. von Pierer, deputy chairman of the board of Siemens; G. Toth, director of the Westinghouse Energy Systems Business Unit; and B. Skantze, first deputy president of the ABB Group Office, Zurich.

#### Question 1

##### SIEMENS:

The company's program makes it extremely successful in foreign markets. Just at this time we are facing the decision whether to invest in our own manufacturing plants in Germany and thus broaden their capacities, or to cooperate with some internationally acknowledged partner abroad. The ideal partner, such as we would wish for in this connection, is precisely Skoda Plzen, because it has a skilled work force that would make it possible to build up our joint international business very quickly. In case Skoda Plzen would so desire, the Siemens company could have an ownership share in the entire concern. In such a case, however, it should be expected that in the future this cooperation will change as far as participation in individual companies of the Skoda conglomerate is concerned. This, of course, could be implemented only with the approval of Skoda and the Czech government.

##### WESTINGHOUSE:

We are looking for an experienced and competent partner so that we can keep up with the current as well as the future expansion of the power industry in Europe and other parts of the world. Skoda Plzen is a competent producer of quality equipment for the production of mostly the nuclear, but also the classic, energy. Skoda Prague is equally competent in the area of design and engineering. Skoda Plzen and Skoda Prague both are successful in exporting equipment for the power industry as well as of complete power plants. In order to meet the growing world demand for energy equipment, Westinghouse will have to ensure for itself a source of high quality parts for power industry projects. If we were to become partners of Skoda Plzen and Skoda Prague, we would gain just such a capacity. At the same time we would have a partner who understands the demand in European markets.

##### ABB:

Our ambition is to establish ourselves in Czechoslovakia. When Czechoslovakia embarked on the road to a market economy, an opportunity was created to participate in Czechoslovak industrial development in the future Europe. ABB has a gigantic program of research and development of the next generation of products for nuclear power, technology for the clean burning of coal, gas turbines, ecology, superfast trains, etc. Considering the unique organization of ABB as a federation of countries, it is quite natural that we want to add to this structure new countries and new partners who can play an active role in the ABB family, share in the know-how, and in doing business on a global scale.

#### Question 2

##### SIEMENS:

Production programs in important fields, such as, for example, in the power industry, transportation, products for environmental protection, or system technology overlap in both firms, and Siemens would represent for Skoda a source of capital and the latest technology. In order that both firms could share in the making of decisions and be responsible for them, it would be proper for Siemens to have a capital interest in Skoda. Our company is also ready to secure cooperation with other partners, for example with the important French manufacturer of reactors, the Framatome company. Thanks to this partner, Skoda as the co-supplier could immediately participate in French nuclear projects. In addition, Siemens is able to arrange for other financially strong international partners for those production sectors in Skoda which need modernization and which Siemens does not have in its own production repertoire. An important part of our envisaged cooperation would also be joint R&D, which would guarantee that Skoda would not become only a peripheral workshop of our company.

**WESTINGHOUSE:**

We want to create together with Skoda Plzen and Skoda Prague a company called Energetika. Within that framework, the partners will cooperate to export a spectrum of energy systems and parts manufactured in the Skoda Works to Europe and other parts of the world. We shall also cooperate in marketing, participation in tenders, design, manufacture, construction, and servicing of all future classic thermal power plants and nuclear units which are to be built in Czechoslovakia. In addition, the agreement would enable the partners to cooperate in developing technology and in engineering and marketing enterprises, with the goal to modernize and improve the existing Czechoslovak classic thermal and nuclear power plants. Together with our Japanese partner Mitsubishi Heavy Industry we would cooperate together with Skoda Prague in the area of ecology and clean burning of coal in thermal power plants. Westinghouse is also willing to support Skoda Plzen with investments in the casting and forging operations. We also offered to find a partner for Skoda Plzen for its transportation program.

**ABB:**

We intend to contribute to the build-up of a strong electrical engineering industry in Czechoslovakia. For that reason we are negotiating with Skoda Plzen as well as with Skoda Prague. We consider the combination of the three of us to be the ideal solution not only for the power industry but for ecology as well. ABB will supply modern technology and will actively involve its partner in the world market, professional engineering, and joint projects. ABB also wants to invest in three new areas: gas turbines, production of electric power by clean burning of coal, and production of nuclear fuel. For Czechoslovakia, the clean burning of coal would mean, for example, that it would be able to continue using domestic coal by an ecologically clean method, and that Skoda would be able to share in professional engineering work for the world markets immediately. More than half of the production from the new investments would be for export. The total program is conceived in such a way that it would lead to new job opportunities for several thousand people.

**Question 3****SIEMENS:**

We would basically agree to a minority share. The amount of capital participation should be set in such a way that a long-range cooperation could be built on an economically sound basis. We are prepared to respect the independence of Skoda, and have only one wish: that in the interest of all the people who are at present concerned about their jobs, the future of Skoda be decided as soon as possible.

**WESTINGHOUSE:**

We consider minority participation of a foreign partner to be an approach that is consistent with the determination of Skoda to retain its identity. If Skoda decides on another approach, Westinghouse is flexible enough to support it as well.

**ABB:**

We submitted a detailed proposal to both Skoda Plzen and Skoda Prague. It also contains details of legal and organizational structures of possible joint ventures. We consider these matters—same as the question of minority or majority share—to be part of current negotiations on which we do not wish to comment.

**Question 4****SIEMENS:**

We have basically no objections to other companies having a share in individual Skoda companies. But Skoda should ponder whether it could be a disadvantage if various partners, who are otherwise competitors, were to share in individual sectors that are technologically connected. It would mean that cooperation among individual companies within the holding company would be made more difficult.

**WESTINGHOUSE:**

We would have no objections as long the owners of the holding company are not competitors of Westinghouse.

**ABB:**

Our answer is contained in our preceding answer.

[HOSPODARSKE NOVINY] The constant delays in the decisionmaking processes concerning the future of the factories and the name Skoda does little good for the future of the winged arrow. All the more because the present marketing situation is not the rosiest one. At the same time, it is obvious from the answers of the three foreign contenders that these companies expect a boom in their field and are so interested in Skoda that they are willing to accept any reasonable solution. Their plans, as far as the future of Skoda is concerned, basically do not even differ much. Although they themselves are mainly oriented toward electrical engineering, they are willing to be engaged elsewhere, and that would include bringing in other partners. Even though in its interview for HOSPODARSKE NOVINY (Winged Question Mark, 27 June) the Plzen leadership spoke in the sense that it wants to adapt the privatization project so as to keep the entire concern together, none of the companies asked—and these are not only renowned names, they also have a strong capital base—has as many production sectors as there still are in Skoda Plzen. There are almost a hundred, which is probably a unique phenomenon in the world.

None of the companies asked intends to “cooperate” with competitors under one roof, which is logical. That, too, should be kept in mind, as well as the fact that the

foreign companies are also contending for participation in Prvni Brnenska, for example, which also manufactures equipment for the power industry, and that it probably would not be the best idea if the entire production of this kind were to be concentrated in monopolistic hands. Although on the other hand, we learned from well-informed circles that maybe if the foreign companies are successful with Skoda, they would retreat from competition for Prvni Brnenska. In our opinion, it should also be kept in mind what volume of capital is invested in Czechoslovakia from Western Europe and what volume from overseas. But the time for deliberation is over: now is the time for decisions.

#### Careless Privatization Bidders Feel Cheated

*91CH0857C Prague HOSPODARSKE NOVINY  
in Czech 22 Aug 91 p 8*

[Article by Dana Dvorakova: "War of Nerves Does Not End With the Strike of the Gavel"]

[Text] To lose ten or more thousands is certainly not very pleasant. Such financial losses were suffered by many an entrepreneur who bought a place of business in an auction. Why did the bidder in the end choose not to pay and preferred to sacrifice a five-digit sum? We tried to find out in Jablonec nad Nisou and in Prague.

The very first auction in Jablonec of Chleb, a baked goods store with an adjacent bistro, ended in failure for the final bidder, P. Turczyniak. The stumbling block in that case was inventories. Because the state enterprise Potraviny Jablonec [Foodstuffs Jablonec] turned over already in January the filled out cards of some shop units (this one among them) included in the auction, the state of inventories did not agree with the actual state of inventories following the March auction. Director of Potraviny, P. Pavinsky, gave us a logical explanation. Shops selling food are always literally "swept clean" after Christmas, and last year the thorough cleaning out of stockpiles was exacerbated by the expected increases in the price of food. What happened then was that the price of inventories, reduced by these factors to 87,000 Czech korunas [Kcs], increased by March, when the auction was held, by roughly Kcs100,000. This fact, however, was not taken into consideration on the card of the shop unit or in the introduction to the bidding, on the contrary, the inventories were announced according to the old data. P. Turczyniak, who was willing to pay Kcs85,000 over the starting price (Kcs140,000), did not count with the cost of inventories of that magnitude. He is convinced that he was given false information. The chairman of the Privatization Commission recognized this mistake and the shop was returned and put back into the auction. P. Turczyniak lost Kcs14,000, and as he himself said, he intends to demand compensation from Potraviny, even if he has to sue.

But it is also a fact that P. Turczyniak did not inspect the premises before the auction. He was not obliged to do

that, but had he done so, he would have had a much better idea about the state of the inventories.

The onus is obviously on the Privatization Commission, which learned a lesson from this case and now demands a more detailed information about inventories on the card issued for the shop unit. The value of inventories after auction then must not exceed the amount entered on the card.

And the shop? It was offered in the auction again, and its new owner paid twice as much for it as did the first successful bidder, that is, Kcs455,000. And the cost of inventories was not reduced either, on the contrary, their value went up to Kcs224,000 by the time of the second auction.

#### Was It Luck?

The dining hall Stara Posta stands in a lucrative location in the center of Jablonec. Its tables can seat 75, and it sells 500-600 meals a day. Its rent has been increased already twice. In the first round, the starting price (Kcs186,000) attracted several serious contenders who waged a hard fight among them, from which F. Otta emerged victorious. He worked there with his wife and son already before the auction, and until that time they had the dining hall under lease. They were actually bidding, in his own words, for their livelihood. That it was to be bought very dearly is attested to by the sum knocked down by the auctioneer's gavel—Kcs1,9 million. Thirty days went by and F. Otta did not pay. The dining hall was put up for auction again.

"Helping" to bridge the time until the next auction was again F. Otta, to whom the restaurant was leased. And it was auctioned off again, same unit, same conditions (at least on paper). A sole interested party came to the auction: F. Otta. Stara Posta went to him for Kcs186,000!

#### Agreement Is Basic

Restaurant Beseda was being auctioned off, together with its building, for Kcs136,000, but during the auction the price climbed to Kcs860,000. However, the buyers, two partners—they do not want their names published—had a disagreement already the next day and decided not to do business together. It cost them Kcs7,000 each.

#### Small Price Reduction

"Sweaters, Underwear" proclaims the sign on the textile shop, one of the few of this type in the Jablonec housing development Mseno. Only one bidder showed interest in the rather small shop with a low starting price—Kcs28,000—J. Simacek. In addition to the cost of the shop he was facing other rather substantial expenses for inventories, which according to the card of the shop unit came to Kcs490,000; but during inventory it came to light that in this case, too, they were roughly Kcs200,000 higher. But here the former owner acted magnanimously.

Textil Liberec offered J. Simacek to take back inventories that proved to be "excessive." The bidder agreed, but then he also demanded a 20-percent reduction of the remaining inventories, because in his opinion they are difficult to sell. Textil Liberec gives bidders a 12-percent reduction off the retail price of inventories, which should cover the shop's overhead. The state enterprise was not willing to give J. Simacek a further reduction. He therefore did not pay for the shop and preferred to bear the loss of Kcs10,000. He justified his decision to the chairman of the Privatization Commission by stating that his sponsor refused to take part in this transaction.

This shop, too, found a new owner. It is Beta Ltd. Two partners bought it for the starting price, and paid about Kcs500,000 for the inventories (after they agreed to the 12-percent price reduction by Textil Liberec). Because they committed themselves to keep in the shop textile goods with accessible prices, the municipal office which owns the building extended their lease to four years. You can find another branch of Beta Ltd. in Jablonec, the large establishment "Textil" near the center.

#### Pig in a Poke

In the editor's office, J. Vostiarova recounted her bitter experience. Her husband is the partner of the final bidder for the restaurant "Ve Dvorcich" in Jeremkova Street in Prague.

During the May auction of this restaurant, the price of its equipment and 2-year lease climbed from Kcs63,000 to Kcs570,000. The new owners immediately set out to repair the rather dilapidated interior of this establishment. However, during the 30-day term set for making the payment, they kept discovering more technical defects, of which the most serious were the defective gas appliances combined with unacceptable installation, and defects in the sanitary equipment; although the sanitary inspector allowed an exception in this case, its extension is out of the question. The decision whether to pay the price set at the auction was also influenced by the rather high rental set in advance by the owner of the building (Association for Apartment Construction Rozvoj) in which the restaurant is located. In the end they did not pay. In the meantime, of course, they lost what they had invested in the necessary interior repairs of the premises, which amounted to about Kcs70,000, said J. Vostiarova. They had also forfeited the Kcs10,000 deposit.

We asked all participating sides for their opinion on this matter: Restaurants and Dining Halls Prague 4, Association for Apartment Construction Rozvoj, the Privatization Commission, and the Municipal Office Prague 4.

The Rozvoj deputy for operations, Eng. J. Voboril, informed us that the problems with the restaurant "Ve Dvorcich" are of long standing. The restaurant, located on the ground floor of an apartment building has been the focus of repeated complaints by the tenants. Before the restaurant was put up for auction, the tenants even sent a petition to the Czech Republic Ministry of Management of National Property and Its Privatization, in

which they demanded that the unit be taken out of the small privatization program and the operation of the restaurant in the building completely discontinued. In spite of that, the restaurant was put up for auction and auctioned off. The owners of the building claim—in words of J. Voboril—that they were not informed about its condition. As far as turning over nonresidential space in the building (but not the equipment in the unit), it was to be turned over to the Restaurants and Dining Halls Cooperative [RaJ], and that in turn was to work out a new lease with the buyer. The cooperative considers the 200-percent rent increase, announced to the buyer in advance, justified.

On the contrary, the involved officials of RaJ Prague 4 think that the condition of nonresidential space should be the responsibility of the building's owners. They point out that they were willing to help solve some of the technical defects. After the fiasco of the auction, however, RaJ still has this space under lease, but the operation of the restaurant was not renewed because of technical reasons. The only thing on which RaJ and the cooperatives agree is that the best solution would be to end the lease agreement. However, to do that a decision of the Privatization Commission is needed and the restaurant "Ve Dvorcich" has to be taken out of the small privatization program. This decision has already been made, according to the staff of the Privatization Commission, and the restaurant will not be put up for auction again.

The services and trade section of the Municipal Office Prague 4 also agrees that the business activity in the building should be changed. Under consideration is the establishment of a factory outlet of the Northern Bohemian Oils and Fats Production Plant. The tenants of the building in Jeremkova Street will get satisfaction, but what about the buyer? He obviously bought something that he could not continue operating in the same manner as before. He invested money—obviously rashly—in repairs, which are now totally useless. He lost the Kcs10,000 security deposit. Obviously, the whole affair will have to be decided by the courts, and the purchaser does intend to turn to them.

#### Investment Accounting Problems Viewed

*91CH0857D Prague HOSPODARSKE NOVINY  
in Czech 23 Aug 91 p 9*

[Article by Eng. Miroslav Vana: "Uncertainty and Guesswork About Accounting"]

[Text] Until the end of last year, the financing of investments was still done according to the past differentiation of financial resources into investment and non-investment resources, and similarly, expenditures for capital investment were differentiated in the regulations for construction documentation and in the guidelines for the accounting system.

On 1 January 1991 the decree of the CSFR Government No. 577/1990, CSFR Law Gazette, on financial management of state enterprises, which consolidated internal financial resources, came into effect. That took care of one part of the above mentioned problem. The other was supposed to be taken care of by the decree of the Federal Ministry of Finances No. 586/1990 on depreciation of long-term assets, which attempted in paragraph 4 to establish in a plain and timely fashion the definition of the concept of investment.

The fact that the Ministries of Finance had to issue clarifying statements on this definition shows that the attempt was not exactly successful. Uncertainties and guesswork about cost accounting continue and the current explanations do not remove them, and in fact cannot remove them, because the basic errors are in the decree itself. Errors, of which the first is already contained in the introductory sentence to paragraph 4 of the mentioned decree, which reads: "Investments are construction projects and articles that are necessary for their inclusion in capital assets, and work necessary to complete them and take possession of them."

#### Why a Deadline?

It should be indisputably clear from the nature of investments and the accounting and evaluating principles that an investment constitutes all the costs necessary for its completion. However, the quoted formulation is misleading in the sense that it leaves the question what to do about the investment costs after the investments are included in capital assets and after completing and taking over the investment work. To that question we get the answer that "After including investments in capital assets, the investment costs for preparations and provisions for the construction connected with the investment in question become part of the operating costs."—viz. Notification of the Ministry of Finance of the Czech Republic No. 193/11 572/91 of 6 June 1991. A similar position is taken by Eng. M. Blatny, official of the Federal Ministry of Finance, in his article "Financing Investments" in HOSPODARSKE NOVINY No. 114.

Irrespective of the fact that it is illogical to talk about costs of preparations and provisions for the construction after the investments have been included in capital assets, i.e., go back from the end of the investment process to its beginning, any approach that includes a time limit on accounting and documenting the cost of investment is contradictory to the principle of correct and full accounting of economic phenomena. Therefore we cannot agree with these interpretations, and the differentiation between investment and operating costs based on a deadline for including investments in capital assets must be rejected.

#### Atypical Costs

The mentioned problems concern mainly the costs of preparations and provisions for the construction connected with the investments. It should apply without

exception that these costs are the first cost of the investments. Accounting after the investments have been included in capital assets is allowed even by Eng. Blatny, when he states in his article that "Typical costs of investment, such as transportation, assembly, customs charges, import surcharge, or turn-over tax, are part of the first cost even after the investment has been included in capital assets." But why some investment costs are typical and others, that is, preparations and provisions for construction connected with the investment, are obviously "atypical", is hard to explain. This problem is even more complicated by the fact that in most cases the entire construction projects are not included in capital assets all at once, but gradually as their parts are completed.

What is meant by "preparations and provisions for the construction" we learn from the abrogated decree of the State Commission for Research and Development and Investment Planning No. 5/1987 on documentation of constructions, from which this term was taken over. The first reading of paragraph 4 h) of the decree gives the impression that everything that belongs among the preparations and provisions for the construction is simply the investment. In Eng. Blatny's article and in the notification of the Ministry of Finance of the Czech Republic it is advised and specifically stated which costs connected with capital investment continue to be considered operating costs. Nothing against that, but we cannot agree with the manner in which they are determined. In Paragraph 4 h) there is no indication that there are exceptions to this determination and that paragraph 11 concerns allowed exceptions, that is, relief and not stipulated exceptions, which must be observed. The legal provision, without a corresponding authority, is supplemented by interpretations and articles in professional publications not accessible to everyone, and it can be easily overlooked. A somewhat strange legislation.

#### Temporary Takeover of Land

Finally, there is also the problem of payments for a temporary takeover of agricultural land for capital construction, which paragraph 4 a) of the decree does not mention, but which, according to the position taken by the Ministry of Finance, is "as in the past, paid out of the division of profits." Temporary takeover of agricultural land concerns mainly linear construction, such as when some pipe-lines or conduits are being laid in the ground. For that, it is necessary to work on the piece of land for a certain length of time and take it out of agricultural use. The investor must compensate the injured party for the financial loss, which is certainly the right thing to do. But what is not right, is that this expenditure, which is an indivisible component of the cost of the capital construction, cannot be calculated into the future profits which it is supposed to bring. At the same time, these payments connected with the preparation of the building site are included in the cost of the construction and thus in the

first cost of the capital investment, and subsequently in the calculations.

Why is it that the other enterprise activities must earn the money for the temporary appropriation of agricultural land and not the one which is involved in the capital construction? How this illogical approach complicates the process does not need to be explained in more detail. If we want to be strict with the investors and force them to appropriate the minimum amount of land for the shortest possible time, it can be achieved more efficiently by, for instance, increasing the payments after a certain determined time limit. But they cannot be excluded from the cost of capital construction! If the decision is made that it is necessary to erect a building that will require a temporary appropriation of agricultural land, then no "penalizing" of the investor can prevent such an appropriation. Why then engage in such bullying copied from the past.

#### Girls' School of New Type Opens

91CH0880C Prague OBCANSKY DENIK in Czech  
29 Aug 91 p 7

[Text] Hradec Kralove—On 2 September, a nontraditional home economics school will be opened in Smirice, Hradec Kralove district. The curriculum will be directed toward the public health area with emphasis on folk medicine and the so-called alternative diet using macrobiotic elements. The school is to promote the development of physical and spiritual harmony in the students' personality. The students are expected to speak two world languages (they will spend their vacations in France), pass a state examination in typing, and have mastery of some elective subjects such as marketing, trade, rehabilitation, massage, etc. A substantial part of the curriculum will be devoted to practical household management.

**Workers' Rights in Privatization To Be Specified**  
*91CH0931B Budapest NEPSZABADSAG in Hungarian*  
*7 Aug 91 p 9*

[Article by H.Sz.: "Privatization and the Right To Comment: They Should at Least Be Aware"]

[Text] A proposed decree to govern workers' right to comment regarding the transformation and privatization of their enterprises is probably making its final rounds.

An overall consensus was reached among interested parties at last week's session of the Interest Mediation Council's privatization committee meeting concerning the most important issues. Only some small details remain to be settled, according to Labor Affairs Ministry spokesman Imre V. Csuham.

In principle, workers already enjoy a right to comment on transformation and privatization processes, as long as state enterprises are involved. This is based on a Labor Law provision that grants workers' interest groups a right to comment. In addition, based on interim property policy guidelines, the State Property Agency [AVU] must also seek out the employees' views in the course of selling a firm. On the other hand, no legal provisions state the manner in which workers can obtain information and the consequences if the workers' comments are not heard or if workers are not informed.

The decree now being prepared is designed to discontinue these shortcomings by expressly providing for an obligation to inform workers, and in case of opposing views, the order of proceedings. In cases involving the transformation or privatization of state enterprises, or the sale of state property enterprise management will have to inform workers in writing about expected changes in employment, income and social welfare provisions and about workers' opportunities to acquire ownership rights. At advanced stages of the process the AVU must provide information regarding the same issues and must establish deadlines permitting workers to formulate their own positions prior to decisionmaking. Employers must respond in writing to possible opposing views expressed by workers, addressing the merits of issues. The decree provides for mandatory mediation with a delaying effect on decisionmaking if an employer fails to abide by these rules.

The "beauty mark" of the newly developed decree is that the decree applies only to state owned enterprises unless an existing law is amended. For this reason the privatization committee of the Interest Mediation Council reached an agreement to prepare a council recommendation extending the same obligations to corporations. This proposed recommendation will also be presented to the interest mediation forum during the second week of August.

**Torgyan Urges 'New Approach' to Debt Burden**  
*91CH0892A Budapest MAGYAR HIRLAP*  
*in Hungarian 2 Sep 91 p 6*

[Report by MTI: "Torgyan on the Change of System"]

[Text] "Under all circumstances, the FKG [Independent Smallholders Party] will implement the political and economic change of system that so far failed to take place, and this will be the central issue of the coming talks of the coalition" said party chairman Jozsef Torgyan Saturday afternoon at the FKG's Hajdusag regional meeting in Hajdunanas. For, according to Torgyan, reform-communist tendencies have dominated up to now not only in politics and in the economy but, as he stressed, also in foreign policy. Accompanied by the cheer of the participants, he stated in connection with the latter that the system of the Trianon Peace Treaty—which we did not invent but were the victims of—has collapsed. Jozsef Torgyan subsequently urged beginning to change the economic system as soon as possible and, in this connection, he also urged a new approach in handling our national debts. He stated that there is no country on earth which has become rich by adhering to the World Bank's recommendations, but there are many examples to the contrary. Finally, Jozsef Torgyan called it a serious crime that the establishment abandoned the peasantry and allowed the widening of the gap between prices of agricultural and industrial products.

He said that they had been able to do this because farmers live scattered and isolated and, thus, disregarding their interests carries the least amount of risk. In reply to a question by journalists before the general meeting, Torgyan estimated the size of the FKG's membership to be about 75,000. Exact data will only be available after the membership revision, which is expected to take place in the fall.

According to indications, the FKG and the National Smallholders and Civic Party [NKGP] will hold a merger meeting in Szeged on Saturday of this week. True, conciliatory talks ended in a scandal last Friday but, according to the NKGP's chief prosecutor Istvan Baba, that was the result of private action; he expressed his hope that all misunderstandings will be cleared in the remaining days.

**Cultivation Clause of Compensation Law Challenged**  
*91CH0933B Budapest FIGYELO in Hungarian*  
*1 Aug 91 p 15*

[Article by Tamas Prugberger: "The 'Ten Commandments' of Land Ownership"]

[Excerpt] The National Association of Entrepreneurs petitioned the Constitutional Court to declare unconstitutional a provision of the Compensation Law according to which agricultural real property returned may be

expropriated by the state if the indemnified person fails to satisfy the mandatory cultivation requirement specified by law.

According to the petition, the mandatory cultivation provision of the Compensation Law violates the freedom of owners to freely dispose over their property. [passage omitted]

### **Cabinet's Operating Procedures Promulgated**

*91CH0933C Budapest MAGYAR KOZLONY  
in Hungarian No 65, 15 Jun 91 pp 1,239-1,244*

[Resolution No. 1025/1991 of 15 June concerning the cabinet's operating procedures“]

[Text]

#### **I. Functioning of the Cabinet**

1. The cabinet shall exercise its authority and perform its functions as a body, under the leadership of the prime minister.
2. The cabinet shall hold regular meetings, generally on a weekly basis.
3. The cabinet shall establish its work program for six-month periods broken down per cabinet meeting, in the form of resolutions.
4. The Office of the Prime Minister shall prepare the draft work program based on the agreed upon government program and in due regard to recommendations made by ministers and heads of organizations having a national scope that are overseen directly by the cabinet (hereinafter: heads of national organizations). The cabinet shall render a decision in regard to the work program—as submitted by the administrative state secretary of the Office of the Prime Minister—no later than at its last meeting prior to the time period covered by the work program.
5. A delay not exceeding two cabinet meetings in the submission of proposals or reports to be incorporated in the work program shall be agreed to by the administrative state secretary of the Office of the Prime Minister. The prime minister's concurrence shall be required for the authorization of longer delays or for the deletion of a task from the work program.
6. Proposals or reports not included in the work plan may be submitted at any time, consistent with requirements established in this resolution.

#### **II. Preparations for Cabinet Decisions**

##### **Content Requirements for Proposals**

7. The purpose of submitting proposals to the cabinet is to initiate decisionmaking.

8. Development of proposals involving legislative proposals and National Assembly resolutions shall be scheduled in a manner to enable submission at a point in time specified in the Legislative Law and in the House Rules of the National Assembly.

9. Proposals shall contain brief information needed to render well-founded decisions while omitting technical details; information preferably expressed in numerical terms concerning the expected consequences of the proposal (recommended legislation); a report on the budgetary impact of the proposal; a summary of chief findings related to the subject of the proposal and a summary of the proposal; and the proposed decision in concise terms.

10. Disputed issues in regard to which no agreement has been reached, including divergent views, shall be presented in a manner suitable for decisionmaking. Two or more alternative proposals providing identical levels of detail shall be reported if the need to take a well-founded position so requires.

11. If the proposal recommends exceptional or urgent legislative action in regard to a legislative proposal or National Assembly resolution, the reasons for such request shall be stated in the proposal.

12. Proposals other than those which initiate legislation shall contain concise texts of resolutions which rule out the possibility of multiple interpretation and which are controllable in the course of implementation. If necessary, such proposed resolutions shall also specify the method of control and those responsible for exercising control.

13. Proposals shall contain recommendations regarding the method of publicizing the proposal as well as with respect to the repeal of earlier decisions.

14. Lengthy proposals shall be accompanied by concise summaries which describe the essence of each case and of the proposed decision in a manner enabling the reader to become familiar with the proposal.

15. In the event that a ministerial decree must be published jointly by two or more ministries, or in concurrence with another minister, the cabinet shall render decisions concerning disputed issues arising from divergent views held by different ministries.

##### **Comments on Proposals**

16. Draft proposals shall be submitted to members of the cabinet for review and comment.
17. An obligation to reconcile draft proposals with heads of national organizations shall exist only if a given proposal impacts upon the concerns of a given national organization.
18. Draft proposals affecting the authority and jurisdiction of courts shall be reconciled with the president of the Supreme Court.

19. Draft proposals affecting the functions of local autonomous governmental bodies shall be submitted for review and comment to interest groups of a national scope which represent autonomous governmental bodies.

20. Provisions of the Legislative Law (Law No. 9 of 1987) shall be observed when framing proposed legislation. Such proposals shall be reconciled with the supreme prosecutor, and with social organizations and interest groups of a national scope interested in the subject of the proposed legislation.

21. All draft proposals shall be submitted to the administrative state secretary of the Office of the Prime Minister.

22. Any person with whom an obligation to reconcile a draft proposal exists, shall be permitted to comment on the draft proposal.

23. The authority to comment shall be exercised by:

(a) The ministers, the state secretaries or deputy state secretaries authorized for this purpose; and by

(b) The heads of national organizations, or in case of impediment by their deputies authorized for this purpose.

24. With respect to reports to be presented to the National Assembly concerning the activities of cabinet members and of heads of national organizations, the person submitting the report shall request comments from the affected cabinet member (or head of national organization).

25. Comments shall be submitted to the person making the proposal within 15 days from date of receipt of proposal. If the significance of the proposal or some other consideration so warrants, a comment period longer than 15 days shall be authorized. The review and comment period regarding proposals for comprehensive legislation and with respect to the formulation of positions by a body shall generally be 30 days.

26. Shorter deadlines may be established in specific instances determined by the cabinet, or if definitely warranted by the importance of the cause (priority situations). In such cases proposals shall be submitted for review and comment by the minister, state secretary, or head of a national organization.

27. Persons submitting draft proposals shall reconcile divergent views expressed by persons commenting. The facts of reconciliation and of disagreement, and the fact that a person commenting continues to maintain his view, and further, the fact that a person requested to comment has not expressed an opinion by the deadline specified shall be noted when submitting the proposal, including the names of such persons.

#### Submitting a Proposal

28. In addition to the members of the cabinet, proposals may also be submitted to the cabinet by the administrative state secretary of the Office of the Prime Minister, the heads of national organizations, and by other organizations and persons, provided that such organizations and persons are authorized in advance by the prime minister to do so.

29. Proposals shall be submitted in 75 copies—plus an additional copy with the original signature of the person offering the proposal—to the Office of the Prime Minister at least nine days prior to the date of the cabinet meeting.

30. Unscheduled proposals or proposals which require urgent decisions and which cannot be postponed may be submitted after the deadline specified in Point 29 above.

31. The Office of the Prime Minister shall determine whether a proposal submitted conforms with the requirements established in this resolution. The Office of the Prime Minister shall inform the prime minister and the person who submitted the proposal if a proposal fails to conform with the requirements, and shall make recommendations concerning ways to achieve conformity.

#### Proposals Related to International Agreements

32. In addition to the appropriate application of requirements established in this resolution, separate provisions govern the content, review and comment, and submission requirements for proposals related to international agreements.

#### The Report

33. The purpose of submitting reports to the cabinet is to inform the cabinet regarding matters not requiring decisionmaking.

34. Members of the cabinet, heads of national organizations and other persons proceeding on the basis authority to represent the cabinet shall submit reports to the cabinet concerning their official negotiations abroad, proceedings abroad on behalf of the cabinet, and official negotiations with foreigners in Hungary. Such reports shall be submitted within one week of the conclusion of such negotiations or proceedings.

35. The president of the Central Statistics Office shall provide regular reports to the cabinet concerning significant social and economic changes that may be foreseen from statistical data.

36. Reports from organizations established by the cabinet may be submitted to the cabinet within a period shorter than that specified in point 29. above.

37. Requirements established for proposals shall be appropriately applied to reports, except that no reconciliation shall be required in regard to reports concerning the implementation of tasks.

**Conference of Administrative State Secretaries**

38. Proposals and reports to be dealt with in the course of cabinet meetings shall be discussed in advance at a conference of administrative state secretaries (hereinafter: state secretaries' conference).

39. The functions of the state secretaries' conference shall be preparation for cabinet meetings, the clarification of divergent views that remained unresolved in the course of state administrative reconciliation, and the taking of positions regarding disputed administrative and technical issues.

40. The state secretaries' conference shall generally be held two days in advance of cabinet meetings. Under extraordinary circumstances a state secretaries' conference may also be convened at other times.

41. The administrative state secretary of the Office of the Prime Minister shall convene, organize and chair the state secretaries' conference.

42. The administrative state secretary of the Office of the Prime Minister shall determine the agenda of the state secretaries' conference.

43. Only proposals and reports which conform with the requirements established by this resolution shall be included in the agenda.

44. The administrative state secretaries of the various ministries, the general deputy state secretary of the Office of the Prime Minister, and the heads of the secretariats of ministers without portfolio shall participate in the state secretaries' conference. The administrative state secretary of the Office of the Prime Minister may also invite other persons to the state secretaries' conference.

45. If warranted, the administrative state secretary [of a given ministry] may be substituted by the general deputy state secretary, and in exceptional cases by a deputy state secretary designated by a minister or by an administrative state secretary.

46. The state secretaries' conference shall deal with proposals and reports incorporated in the agenda, and shall produce positions and recommendations to the cabinet concerning these proposals and reports.

47. The state secretaries' conference may initiate proceedings in which a body established by the cabinet for the performance of specific functions discusses a given proposal prior to a cabinet meeting.

48. The state secretaries' conference may call upon persons submitting proposals to submit for the cabinet meeting a supplementary proposal reconciled to the maximum possible extent, and which is consistent with the position taken by the state secretaries' conference.

49. If the proposal needs to be reworked, the state secretaries' conference may require the submission of a

new proposal that is consistent with the requirements established by this resolution.

50. A memorandum shall be prepared concerning the state secretaries' conference. The memorandum shall be written by the administrative state secretary of the Office of the Prime Minister.

**III. Cabinet Meetings**

51. A proposal or a report may be included in the agenda of a meeting if the state secretaries' conference discussed the matter and recommended that it be placed on the agenda. The prime minister may make exceptions from under this rule.

52. The administrative state secretary of the Office of the Prime Minister shall prepare a recommended agenda for each cabinet meeting and shall forward such agenda, as approved by the prime minister, to the meeting participants. The cabinet shall determine the final agenda. Subject to the prime minister's permission, documents pertaining to urgent matters which cannot be postponed may be distributed on the spot, prior to the opening of the cabinet meeting.

53. Members of the cabinet, permanent invited guests having the authority to counsel, persons submitting proposals and persons invited by the prime minister shall attend cabinet meetings.

54. Permanent invited guests to cabinet meetings shall be as follows:

(a) The administrative state secretary of the Office of the Prime Minister,

(b) The general deputy state secretary of the Office of the Prime Minister, and

(c) The cabinet spokesman.

55. In the event that the prime minister is impeded in the performance of his duties, a minister designated by the prime minister shall chair the cabinet meeting, and shall exercise all authorities delegated to the prime minister by this resolution.

56. Members of the cabinet shall be obligated to take part in cabinet meetings. Only the prime minister may waive this obligation.

57. Substitutions for ministers at the cabinet meeting shall take place pursuant to rules established by the prime minister; in such cases political state secretaries present shall have the authority to confer. If the political state secretary is also impeded in attending the meeting, the administrative state secretary, as authorized by his minister, shall participate in the cabinet meeting.

58. Relative to proposals submitted by heads of national organizations or by other persons, the designated deputies of such heads of national organizations or other persons shall take part only in the discussion of the applicable agenda item, if the head of the national organ

or other person submitting a proposal is impeded in attending a cabinet meeting.

59. More than half the number of cabinet members present shall constitute a quorum.

60. In rendering cabinet decisions, the votes of various members of the cabinet shall be of equal weight. Decisions shall be rendered by way of majority vote and the prime minister shall cast the decisive vote in case of equal division.

61. The prime minister shall announce the decisions of the cabinet.

62. Cabinet meetings shall consist of discussions of rendering decisions, verbal consultations and announcements concerning proposals and reports submitted.

63. Discussion of written proposals shall take place pursuant to an appropriately prepared and approved agenda. The cabinet shall not render decisions in the framework of verbal consultations, which represent the final settlement of a given issue.

64. In extraordinary situations or regarding matters requiring immediate action the cabinet may render decisions outside the framework of cabinet meetings. In such cases cabinet members shall communicate their positions in writing or by telephone. The administrative state secretary of the Office of the Prime Minister shall document the communication of such positions.

#### IV. Cabinet Decisions

65. Within the scope of its authority the cabinet shall promulgate decrees and resolutions, and shall adopt guidelines and statements of principle.

66. In cooperation with persons submitting proposals, the Office of the Prime Minister shall finalize the text of cabinet decisions based on the Record of cabinet meetings, to be signed by the prime minister (or by the minister who chaired the cabinet meeting if the prime minister is impeded).

67. If the cabinet makes substantive changes in a recommended proposal, the administrative state secretary of the Office of the Prime Minister shall present the changed text to the person who submitted the proposal and to persons interested in the changes, before the changed text is signed.

68. The cabinet shall submit proposals to the National Assembly by forwarding such proposals to the president of the National Assembly.

69. Based on the unanimous recommendation of the state secretaries' conference, the cabinet may accept a draft proposal without debate, if

(a) Persons entitled to comment agree with the cabinet proposal prepared in a manner consistent with requirements, and if

(b) The proposal pertains to the adoption of an international agreement previously approved by the cabinet.

70. In between cabinet meetings the prime minister may promulgate cabinet resolutions for the assignment of tasks, the conduct of international negotiations and the signing and approval of agreements, for the organizing of visits, in regard to certain appointments and dismissals and regarding the grant of decorations, and further, in other cases based on express, specific authority granted by the cabinet. The administrative state secretary of the Office of the Prime Minister shall submit reports to the cabinet concerning resolutions promulgated in this manner, for subsequent approval by the cabinet.

71. The decrees, resolutions, statements of principle, and guidelines adopted by the cabinet shall be proclaimed (published) within eight days from the date of the cabinet meeting, and shall be forwarded to interested parties. The prime minister may establish a different deadline for proclamation.

72. The Office of the Prime Minister shall forward copies of resolutions and guidelines whose publishing in MAGYAR KOZLONY has not been ordered to members of the cabinet and to interested persons, and shall make public such resolutions and guidelines in the Register of Resolutions.

73. The administrative state secretary of the Office of the Prime Minister shall issue memorandums concerning cabinet decisions which need not be framed as resolutions, and shall forward such memorandums to interested persons.

74. Decisions not requiring action shall be recorded only in the Record or in the Summary of proceedings.

75. The Office of the Prime Minister shall maintain a record of cabinet decisions.

76. The cabinet spokesman shall issue an official news release concerning cabinet sessions and shall inform representatives of the press.

#### V. Records and Summaries of Cabinet Meetings

77. Records and Summaries of cabinet meetings shall be prepared. The administrative state secretary of the Office of the Prime Minister shall provide for the related tasks.

78. The Record shall be an authentic document containing a verbatim transcript of statements made at cabinet meetings.

79. The Record shall be signed by the prime minister and by the administrative state secretary of the Office of the Prime Minister.

80. A single copy bearing the original signature of the following documents shall be preserved as attachments to the signed Record:

(a) Proposals,

(b) The Summaries of meeting,

- (c) Decrees and resolutions,
  - (d) Proposals submitted to the National Assembly and related cover letters,
  - (e) Guidelines and statements of principle,
  - (f) Memorandums,
  - (g) Documents generated pursuant to proceedings described in Point 64 above,
  - (h) Resolutions issued between two cabinet meetings, and
  - (i) Reports forwarded to members of the cabinet.
81. Documents pertaining to proposals discussed shall be attached to the Record if the administrative state secretary of the Office of the Prime Minister so orders.
82. The Record and its attachments shall be preserved by the Office of the Prime Minister; these documents shall not be disposed of and the management of these files shall be governed by provisions pertaining to the protection of archival materials and to archives, as well as to state secrets and official secrets.
83. The Record shall be available for perusal by members of the cabinet and by permanent invited guests from the administrative state secretary of the Office of the Prime Minister; other participants at the cabinet meeting may review segments of the Record which contain their remarks. Persons authorized by members of the cabinet (permanent invited guests) may review the Record upon permission received from the administrative state secretary of the Office of the Prime Minister. An extract of the Record may be provided if such extract is required for work in progress.
84. If in the view of a cabinet member or other participant at the cabinet meeting the contents of the Record differ from what has actually transpired, such member or participant may request the prime minister to correct the Record.
85. The Summary of cabinet meetings shall contain the list of participants, the title of proposals, the names of persons who commented, and if voting took place, the fact that a vote took place, the numerical division of votes and the decision.
86. The Summary shall be signed by the prime minister and by the administrative state secretary of the Office of the Prime Minister.

## **VI. Controlling the Implementation of Cabinet Decisions**

87. The Office of the Prime Minister shall prepare a monthly report to the prime minister concerning the implementation of time critical tasks prescribed by cabinet resolutions.

88. The prime minister may call upon ministers and heads of national organizations to report on the implementation of tasks ordered to be performed by the cabinet.

## **VII. Performing Certain Cabinet Functions**

89. The cabinet may establish [specialized] cabinets, government committees, colleges and advisory bodies, and may appoint government commissioners for the performance of specific tasks.
90. [Specialized] cabinets shall be consultative organizations of the cabinet which perform functions preparatory to decisionmaking, take preliminary positions regarding all issues within their scope of authority requiring cabinet decisions and which have a substantial impact on the realization of the cabinet's political, economic and other important purposes. [Specialized] cabinets shall establish their own rules of order and shall submit reports to the cabinet on a regular basis concerning their activities.
91. Government committees shall be organizations of the cabinet which perform functions preparatory to decision making as well as coordinating and controlling functions, and which render decisions regarding specific issues. The organization and functions, as well as the order of decisionmaking shall be governed by resolutions establishing such committees and by the provisions of the committee's regulations. The chairmen of government committees shall report to the cabinet concerning decisions reached by their respective committees, and shall submit proposed decisions concerning arising issues.
92. Within their functional scopes, government commissioners shall act on behalf of the cabinet and shall submit periodic reports to the cabinet concerning their activities and actions taken.
93. Colleges and advisory bodies shall be organizations which support the workings of the cabinet for the purpose of preparing for decisionmaking. Reports shall be prepared about their workings on a case by case basis for use by the cabinet.
94. The performance of cabinet functions related to political activities and to the streamlining of the cabinet's relations with parliament shall be assisted by a conference of political state secretaries. The political state secretaries' conference shall establish its own rules of order.

## **VIII. Closing Provisions**

95. This resolution shall take effect on the day of its promulgation. At the same time, resolution 1006/1990 (7 July), which provides interim rules for the functioning of the cabinet, and resolution 1038/1990 (12 October), which amended the interim rules, shall become obsolete.
- [Signed] Dr. Jozsef Antall, prime minister

**Judicial Review of Administrative Action**

*91P20495D Budapest MAGYAR KOZLONY  
in Hungarian No 78, 12 Jul 91 pp 1,447-1,454*

[Description of Law No. 26 of 1991 concerning the expansion of judicial review of administrative actions adopted by the National Assembly at its 26 June session]

[Editorial Report] Budapest—MAGYAR KOZLONY No. 78, 12 July pp 1,447-1,454 presents the full text and legislative intent of a law “expanding” the scope of judicial review of state and local administrative actions. Provisions of the law are expressed in the form of amendments to the following:

- (1) Law No. 4 of 1972 concerning the courts,
- (2) Law No. 1 of 1981 amending Law No. 4 of 1957 providing General Rules of State Administrative Procedure, and
- (3) Law No. 3 of 1952 concerning the Code of Civil Procedure.

The legislative intent states that the above mentioned Law No. 1 of 1981 amounted to enabling legislation only and delegated authority to define the scope of judicial review to the then Council of Ministers. In turn, Council of Ministers Decree No. 63 of 5 December 1981 provided only a narrow scope of judicial review. The Constitutional Court recently struck down the 1981 Council of Ministers decree as unconstitutional because it conflicted with Paragraph 50 Section (2) of the prevailing Constitution, which provides that “courts shall ascertain the legality of public administrative determinations.”

The new law establishes a general right for the judicial review of final state and local administrative actions following the exhaustion of administrative remedies. A petition seeking judicial review automatically postpones the implementation of administrative actions. The scope of judicial review is restricted only with respect to three situations (e.g. if the opportunity for judicial review is denied by law) and to six types of administrative actions (e.g. actions involving weapons, explosives, radioactive materials, drugs, military action). At the same time, the law provides for the changed situation created by the grant of local autonomy. The law also replaces and repeals a number of legal provisions providing special administrative and judicial recourse relative to a variety of subjects, including domestic relations, family supplements, real property registration, social security, economic management, the press, land, defense, asylum, higher education, and persons illegally convicted between 1945 and 1963 and relative to the 1956 revolution and freedom fight.

The law assigns the authority of judicial review to “courts” in general, and not to an “administrative law court,” the establishment of which has been ordered by the Constitutional Court. Legislation for the establishment of such court is pending. The legislative intent of the present law recommends that the various courts

performing judicial review establish panels specializing in administrative adjudication.

**Parliament Adopts Law Governing Budapest**

*91P20495C Budapest MAGYAR KOZLONY  
in Hungarian No. 76, 10 Jul 91 pp 1,405-1,417*

[Description of Law No. 24 of 1991 concerning Budapest and capital districts' autonomous governmental bodies]

[Editorial Report] Budapest—MAGYAR KOZLONY in Hungarian No. 76, on 10 July pp 1,405-1,417 presents the full text and legislative intent of a law enacted by the National Assembly at its 12 June 1991 session concerning the autonomous governance of Budapest and its autonomous administrative districts. This law is a sequel to the Local Government Law [Law No. 65 of 1990] enacted by the National Assembly in 1990, and is consistent with the provisions of Paragraph 62 Section (2) of that law:

“Consistent with the Constitution and with the Local Government Law, this law is based on the premise that the Capital City General Assembly and the representative bodies of the various districts acting as autonomous governmental bodies conduct public affairs of local concern independently, based on mutual reconciliation of interests.”

The new law provides for autonomous governmental bodies at two levels in Budapest, all of which are equal insofar as their basic authorities are concerned, but differ with respect to functions and jurisdictions. Accordingly, the government of Budapest performs local governmental functions pertaining to a large part of the city or to the city as a whole, and to the special role played by Budapest within Hungary. In the latter regard the National Assembly reserves authority to itself to determine the method and extent of budgetary contributions the state makes to Budapest to cover expenditures stemming from national functions performed in Budapest which exceed the interests or financial capabilities of the autonomous city government.

The city is divided into administrative districts, and each district has its autonomous government. Changes in district boundaries may be initiated by any district within its own scope of interest, or by the city General Assembly. Such initiatives must be supplemented with the views of all affected districts and of the city General Assembly and be made subjects of mandatory popular referendums within the affected districts. The National Assembly retains authority to act upon such initiatives. The law also enables mergers of districts or parts of districts, as well as the secession of districts at the borders of Budapest and the joining of new districts.

The law mandates a few, specific functions to be performed by the district governments. The districts are to provide for nursery school and basic education, basic health care and social welfare service deliveries, wholesome drinking water, public lighting, the maintenance of

local public roads, and the enforcement of national and ethnic minority rights. All other local government functions constitute mandatory functions to be performed by the Budapest government. The law enumerates 16 of these functions regarded as having particular significance. These range from the protection of historical buildings and the natural environment through public utilities, main thoroughfares, traffic control, and public cemeteries, all the way to the exchange of rental apartments and to functions involving two or more districts. The Budapest government may delegate its functions to the districts, provided that it compensates the districts for the related expenditures. Districts may refuse to accept such delegated functions if these functions threaten the performance of district functions mandated by the law.

Budapest and the various districts are entitled to receive individually and directly certain revenues based on actual expenditures, while other revenues are distributed on the basis of different criteria. The latter category of revenues includes the local share of state income taxes, other centrally collected taxes, local taxes and standard state subsidies based on population. The exact ratio of revenue distribution between Budapest and the various districts is determined based on the affirmative vote of a simple majority in the Budapest General Assembly. Two additional groups of smaller revenue sources composed mainly of fines, fees, and dues are made available exclusively to either the Budapest government or to individual district governments.

The law establishes a requirement by which the Budapest General Assembly "must be involved" in state legislative activities providing for the finances, functions, and jurisdiction of the autonomous governmental bodies of Budapest and its districts, and mandates the Budapest government to consult with the various district governments. Deviating from the provisions of the Local Government Law, the law provides special authority to Budapest and the district representative bodies to promulgate decrees, and mandates the provision of public notice and of an opportunity for public comment.

The closing provisions allocate municipal ownership of various assets and establish safeguards for continuity in public service deliveries.

#### **Transfer of State Property to Local Government**

*91P20495B Budapest MAGYAR KOZLONY  
in Hungarian No 87, 2 Aug 91 pp 1,829-1,851*

[Description of Law No. 33 of 1991 concerning the transfer of ownership of state assets to autonomous governmental bodies adopted by the National Assembly at its 12 July session]

[Editorial Report] Budapest—MAGYAR KOZLONY in Hungarian No. 87, 2 August pp 1,829-1,851 contains the full text and legislative intent of a procedural law governing the transfer of state property formerly under the management of municipal councils into the ownership of

autonomous local governmental bodies. Local government ownership rights have already been established as a result of the Local Government Law enacted in 1990, and the de facto transfer of ownership has taken place on 30 September 1990, the effective date of the Local Government Law.

The Local Government Law authorized the government to establish property transfer committees in the various counties and in Budapest whose operations would be governed by separate law. The present law provides the needed criteria and procedures governing the activities of the committees and the types of property whose ownership these committees are authorized to formally transfer to local governments.

The types of property subject to transfer are as follows: housing property and premises used for purposes other than housing, historical sites, protected natural areas, lands, public utility assets, waters, public facilities built on water and water utilities, and movable property.

#### **Partial Restoration of Former Church Property**

*91P20495A Budapest MAGYAR KOZLONY  
in Hungarian No 82, 22 Jul 91 pp 1,772-1,783*

[Description of Law No. 32 of 1991 settling the situation of former church real property adopted by the National Assembly at its 10 July session]

[Editorial Report] Budapest—MAGYAR KOZLONY in Hungarian No. 82, 22 July pp 1,772-1,783 contains the text and legislative intent of a law designed to return certain real property formerly owned by the various churches. Specifically, the law pertains to buildings and adjacent, related land with no buildings presently owned by the state or by local autonomous governmental bodies which were confiscated without compensation after 1 January 1948, and which prior to their confiscation served, and are intended to serve in the future one or more of the following purposes: "religious life (religious practice, conferences, church management, employee housing, theological seminaries, etc.), the operation of religious orders and communities of deacons and deaconesses, education and upbringing, health care, social welfare, child and youth protection, and cultural purposes (community centers, museums, etc.)." Real property to be returned to churches also includes cemeteries and certain grounds of religious significance.

The law establishes an immediate prohibition regarding the sale or encumbrance of the above defined properties, and provides for the establishment of separate mediation committees for each church composed of an equal number of government and church representatives. The function of these committees will be to prepare lists of real properties to be transferred to churches, based on recommendations made by the churches. In due regard to the need for continuity in the use of such real property and the present capacity of churches to appropriately utilize such real property, the transfer of real property is slated to take place within three years and ten years,

pursuant to schedules to be prepared by the churches. The law encourages voluntary, direct settlement of ownership rights between churches, local governments and present property managers, in exceptional cases authorizes partial indemnification for real property not returned to the churches under the present law, and provides for judicial review of action taken under the law.

In an apparent effort to blunt Constitutional Court scrutiny of the law from the standpoint of equal protection, the legislative intent reasons at length why "positive discrimination in favor of churches as compared to other organizations is not unconstitutional."

**Government To Issue Bonds To Finance Deficit**  
*91CH0872C Budapest NEPSZABADSAG in Hungarian  
16 Aug 91 p 4*

[Article by Cs.K.: "State Bonds in September"]

[Text] The government will probably need 2.5 billion forints in the form of supplemental central bank credits to finance the increased budgetary deficit, according to Finance Ministry Division Chief Zoltan Bosze in response to our inquiry.

Parliamentary authorization is definitely needed to accomplish this. The exact amount of the central bank credit depends on the amount of money the government is able to raise in the Hungarian capital market. In making its decision the government will have to weigh the undoubtedly more favorable lower interest charged by the central bank on credits granted against the constraint such credit would impose upon financial resources for entrepreneurial ventures. As reported before, parliament has authorized the government to cover part of the budgetary deficit by issuing bonds amounting to 15 billion forints. Consistent with this authorization the government will float 4 billion forints worth of bonds on 15 September, while bonds for the remaining amount will be sold gradually, prior to 1 December. These state securities may also be purchased by foreigners, but only for forints. The interest on bonds will be determined twice each year so that it exceeds by 2 percent the average semiannual yield of discounted Treasury certificates sold at MNB [Hungarian National Bank] auctions. The anticipated gross annual interest rate on bonds to be issued in September will be between 36 and 37 percent.

Asked if a return higher than what the rest of the securities produce would accelerate the inflationary spiral Bosze said that they were unable to circulate state securities at lower interest rates precisely because of the high inflationary expectations. They must by all means promise a higher yield than present returns in order to render this form of investment attractive. This is so because as of now a guarantee that the state would repay its obligation on bonds would not suffice from the standpoint of individual investors. The division chief explained that no clear argument supports the claim that

high interest rates fuel inflation. In his view halting the deterioration of money would be the function of budgetary and monetary policies.

We learned that a possible over-subscription of the bonds would definitely have to be made the subject of a supplemental National Assembly authorization. This would either require a National Assembly resolution, or it could take place in the framework of approving the 1992 budget. The Finance Ministry has already reached an agreement with the MNB regarding the establishment of a consortium whose members would sell the state bonds. The names of participating institutions are expected to be disclosed next week. Members of the consortium would not only convey the bonds but would also purchase bonds themselves, and if necessary would sell those in secondary markets in Hungary. The state bonds will also be sold at the Budapest securities exchange.

Late last year parliament authorized the government to increase the volume of Treasury certificates in 1991 by 3.8 billion forints. But since securities amounting to more than this amount have already been sold, after the fact parliamentary approval would also be required in this regard. Bosze claimed that in the future it would be beneficial to establish the lower threshold limit for increases in the volume of treasury certificates. Under such circumstances there would be no need for constant changes [in law].

**Parliament's 'Sharp Debate' on 1990 Accounts**  
*91CH0889A Budapest MAGYAR HIRLAP  
in Hungarian 29 Aug 91 p 3*

[Article by Emilia Papp: "Sharp Debate on Last Year's Accounts"]

[Text] The bill dealing with investment foundations that collect savings and invest them in stocks was unanimously approved by parliament's Budget Committee, which considered it appropriate for general debate. Only two issues were raised in connection with the bill; one was that attention must be paid to not allow these foundations to initiate overly risky investments, and whether the fact that profits on exchange rates generated through money invested in foundations can be more closely monitored—and thus taxed—than profits generated by other investments, will keep away small investors.

On the other hand, representatives were sharply divided on evaluating the bill on the implementation of the 1990 budget. So much so that the opposition will present in this connection a minority opinion during the plenary session. The debate was elicited by the wording of a paragraph with a ruling on accounting for last year's normative budget subsidies given to local governments. According to this paragraph, local governments are to pay back 1.8 billion forints but, according to the audit of the State Accounting Office, that should be topped with another 400 million. One reason why the debate broke

out was that while the 1990 budget did not specify the uses of this normative subsidy in enough detail and the detailed rules of the game came out only in the summer in a decree by the Ministry of the Interior, the amount that has been spent in good faith is now being questioned.

The interesting part of the issue is that this amount is also included in the 5-billion-forint subsidy that was promised to the trade unions by the government to compensate for increases in energy prices. One reason why the government is pushing for the approval of the final accounts, i.e., the 1990 budget, is that this would free about 2 billion forints for other use.

The way MDF [Hungarian Democratic Forum] representatives saw it, local governments were aware in using the normative subsidy that later they would have to account for the money, and that it would not be right to create a precedent by allowing the local governments to keep the money they are not entitled to.

But representatives of the opposition raised other concerns as well, e.g., that perhaps the local governments would be unable to pay back the money and, thus, parliament would approve the allocation of a sum that could not be raised. What also could happen is that the local governments would fend off the payback by claiming that since they came to "power" only in the fall, they do not consider themselves responsible for their legal predecessors' inappropriate use of the subsidy.

#### New Tax To Finance Welfare, Unemployment Costs

*91CH0872A Budapest MAGYAR HIRLAP*  
in Hungarian 16 Aug 91 pp 1, 3

[Article by K. M.: "Difficult Year To Be Followed by an Even More Difficult Year—Social Welfare Tax To Be Introduced Next Year"]

[Text] Plans call for the introduction of a so-called social welfare tax next year, and a 6-percent tax instead of the present 2-percent tax will have to be paid to support the unemployed, according to present plans. The Finance Ministry held a press conference yesterday concerning next year's taxes and the 1992 budget. These plans are still to be debated by the National Assembly, and to be enacted into law if found acceptable by representatives.

Changes in next year's taxes touch sore spots on every Hungarian, as do the purposes for which budgeted funds are allocated. Yesterday's press conference at the Finance Ministry dealt with these two subjects. Virtually the entire leadership of the ministry was present due to the weight of the issues discussed.

Finance Ministry State Secretary Peter Kiraly stressed that implementation of the Kupa program was to be continued next year. There is a realistic chance for

improved economic performance in 1992. This assumption is supported by the fact that the number of entrepreneurial ventures and their performance shows a continuous increase, privatization is gaining speed, and the international environmental is favorable. Nevertheless, tensions will continue to become more intense insofar as the internal balance is concerned. The state budget will be in an even more difficult situation in 1992 than this year because reserves available this year will not exist in 1992. Speaking of the tax system Kiraly stressed that the tax rate used in the Hungarian income tax system cannot be regarded as high even if compared on an international scale. Nevertheless it is true that general sales tax rates are high; the ministry intends to reduce these rates next year. They would like to adjust these tax rates to those used in the framework of the Common Market's value added tax system. Changes in the general sales tax system will be introduced beginning 1 May. Based on the past few years' record it is safe to say that the burden on individuals has continuously increased, while that of enterprises and entrepreneurial ventures has decreased. In the future, they intend to discontinue the disproportionate situation, the state secretary added. Three preferences are used as a starting point regarding the tax system. They favor foreign and domestic investment as well as the upbringing of children.

The budget is almost bursting at the seams due to constantly added requirements on the expenditure side, and this situation is untenable, according to the state secretary. For this reason enterprise subsidies, administrative expenses, and defense related expenditures will be reduced. Preliminary estimates indicate that next year's social security deficit will amount to between 30 billion and 35 billion forints.

Since social security outlays are covered by budgetary guarantees anyway, the ministry feels that certain social welfare payments should be returned directly under the ministry's financing authority. But funds to cover these added budgeted expenditures must be obtained from somewhere. For this reason the ministry felt that it should introduce new taxes. The name of this tax will be Social Welfare Tax, to be paid by enterprises and entrepreneurial ventures in proportion to the number of people they employ.

Individuals, enterprises, as well as the budget must play a role in financing expenditures incurred in conjunction with unemployment. Based on Labor Affairs Ministry calculations a 6-percent wage proportionate tax in addition to state budgetary support would provide sufficient funding to support the unemployed. Five percent of this tax would be paid by employers and 1 percent by employees. But different perceptions regarding the distribution of this burden also exist. (At present workers pay 0.5 percent and enterprises 1.5 percent [of their wages and income] into the solidarity fund.) Although economic performance may improve next year, such improvement cannot produce sufficient added revenues to offset expenditures resulting from distribution in the

framework of a bad system, the state secretary continued. The reforming of large distribution systems must unavoidably begin in 1992. Together with the adoption of the state budget law, the ministry will also initiate a radical revamping of state budget expenditures. Fifteen economic laws are pending at present before parliament.

In his supplementary remarks Deputy State Secretary Almos Kovacs said that exports were expected to show a further decline for the rest of the year. As before, this may be credited to the collapse of the East European market. Paralleling the decline in exports, domestic utilization is also on the decrease. Nevertheless they are counting on a minimum GDP [Gross Domestic Product] increase of 2-3 percent next year.

Finance Ministry leaders expect a 16 percent producer price increase and a 20 percent to 23 percent consumer price increase next year.

Ministerial Commissioner Jozsef Lukacs described the changes in the tax system. He indicated that present plans do not differ from those announced in the press, including this newspaper. There will be two general sales tax rates, plans call for a 40-percent entrepreneurial profit tax next year, and a majority of the benefits are going to be discontinued. In the framework of income taxes the seven different tax rates will be abandoned and replaced by five tax rates. (See the table below.)

Next Year's Proposed Tax Rate Schedule:	
Income [ <i>In Forints</i> ]	Percentage
0-108,000	0
108,000-150,000	15
150,000-250,000	25
250,000-500,000	35
Over 500,000	45

Deputy State Secretary Gyorgy Naszvadi called attention to the fact that the revenue and the expenditure sides of the state budget are highly contradictory. But in the present situation there is huge pressure to further increase this contradiction, i.e. to reduce the tax burden while increasing benefits provided by the state, even though next year the country will be able to afford only a smaller budget deficit than this year.

The fact that next year the budget will assume the Social Security's responsibility over certain social welfare expenditures represents an added burden of between 23 billion and 24 billion forints. An additional 8-billion- to 10-billion-forint expenditure incurred as a result of changing the personal identification number, indemnification, church property, the world fair, Bos-Nagymaros, and the assessment of damages related to the Soviet troop withdrawal will burden next year's budget. The burden of various state guarantees represents an item in the state budget worth between 5 billion and 6 billion forints. The 1992 deficit is expected to be about 70 billion forints. Plans call for a 130-billion-forint revenue

increase next year, as compared to the 1991 revenue level. They anticipate to materialize a 70-billion increase in revenues from consumption and sales taxes. Twenty billion forints will be paid in by business organizations, while personal income taxes will yield 40 billion forints.

#### Antall's Former Economic Chief To Join EBRD

91CH0933A Budapest FIGYELO in Hungarian  
15 Aug 91 p 5

[Interview with Gyorgy Matolcsy, former head of Prime Minister Jozsef Antall's economic cabinet, by Arpad Hajnocz; place and date not given: "Matolcsy Goes to London: 'I Do Not Yet Recognize the Opportunities'"—first paragraph is FIGYELO introduction]

[Text] The London-based EBRD [European Bank for Reconstruction and Development] will have yet another Hungarian leading associate other than [former Prime Minister] Miklos Nemeth. The candidate is Gyorgy Matolcsy, director of the Privatization Research Institute founded in 1990, and prior to that chief counselor to the prime minister. We asked him about the details.

[Hajnocz] Is it true that you are preparing to move to London to work for the EBRD?

[Matolcsy] The report is true; beginning on 1 October I will be the deputy director of the EBRD. According to the bank's internal structure, Hungary, jointly with the Czech and Slovak Republic, delegates one of the directors and deputy directors. The appointment is for a three-year term, thereafter the two countries change offices, i.e. the Hungarian professional becomes the director and our northern neighbors delegate the deputy director. Since at present one of the deputy presidents in the person of Miklos Nemeth is Hungarian, a decision was reached to the effect that initially the Hungarian Government may delegate a Hungarian professional to the position of deputy director.

[Hajnocz] What will be your function at the EBRD?

[Matolcsy] I am continuously receiving various documents, minutes of board of directors' meetings, and studies describing the initial projects. Based on these it is not yet entirely clear to what extent Hungarian interests can be represented through lobbying—in the good sense of that term—as compared to dealing with East Europe as a whole, keeping in mind the bank's interests. Since this status is not identical with that of EBRD employees I trust that I will succeed in enforcing Hungarian interests. But for the time being I do not recognize the opportunities clearly.

In part, specific tasks consist of presenting to the bank some good developmental opportunities in Hungary. Most likely the bank will open an office in Budapest this fall and financial institutions will be chosen to finance Hungarian development concepts. In other respects I will inform the Hungarian Government about the Bank's activities, ideas, changes, and proposals.

[Hajnoczy] Did you compete for this office or were you appointed?

[Matolcsy] The Hungarian Government appointed me with the concurrence of the finance minister.

[Hajnoczy] We heard reports about this matter to the effect that your appointment did not go through so smoothly because of opinions expressed by the Finance Ministry and the Hungarian National Bank. Rumors have it that the prime minister himself made a decision regarding this issue....

[Matolcsy] I too heard these rumors, but I know nothing further about this. All I can say is that I received an indication to seek out the prime minister, the finance minister, and the president of the National Bank relative to the deputy director's position at the EBRD. It is likely that this request came about after a debate. I know nothing about the antecedents.

[Hajnoczy] Who will take over the leadership of the Privatization Research Institute?

[Matolcsy] The board will choose my successor in September—this research institute operates as a foundation.

[Hajnoczy] The State Accounting Office report about the State Property Agency [AVU] stated that AVU's establishment of the Privatization Research Institute was inconsistent with law. Some believe that AVU did not establish the Institute on its own volition, that the idea received support from "way up." What do you think of this view?

[Matolcsy] This is a matter of accounting. According to some of my colleagues at the Ministry of Finance who know more about accounting than I do claim that the Accounting Office report contains a misunderstanding. The AVU has authority to establish a foundation and to operate such foundation pursuant to the purposes of the founder. Last January I was asked to head the research institute established by the foundation.

#### **Compensation Vouchers' Impact Feared Inflationary**

*91CH0889D Budapest MAGYAR HIRLAP  
in Hungarian 30 Aug 91 p 9*

[Report by MTI: "Can Compensation Create Inflation?"]

[Text] "It is too early to calculate the compensation law's real effect" said Ministry of Justice Chief Consultant Attila Szabady at yesterday's conference held by the Scientific Association of Organization and Management [SAOM], dealing with the practical issues of compensation. The attending representatives of the Ministry of Justice and the Ministry of Agriculture pointed out several uncertainties in connection with the statute.

Attila Szabady stressed the possible inflationary effect of the compensation vouchers. Although the law and the

directives for its implementation have been published, there are still open questions awaiting regulation. The government must decide on these soon, but the laws dealing with compensation must also be amended. He referred primarily to the regulation of designating arable land, with the premise that the cooperation law would be amended and the transition law would be legislated in order to permanently settle compensation cases according to the legal requirements. Experts are working at present on the compensation vouchers' introduction to the stock exchange and their exchangeability for annuities.

Head of Ministry of Agriculture Main Department Laszlo Jojart analyzed those professional issues which are most likely to elicit the greatest debate in connection with compensation. The greatest debate will be on returning land to applicants, i.e., on the method of the so-called land strip designation in the case of land presently owned by cooperatives. This issue is important, for a property cannot be exactly matched topographically to a concrete piece of land. The fact that some cooperatives' property is larger on paper than in reality may cause further complications. Laszlo Jojart thought that the demand for available legal remedy in case local people disagree with the method of land strip designation, is justified.

#### **Ministry Official Optimistic on Agriculture**

*91CH0872B Budapest MAGYAR HIRLAP  
in Hungarian 21 Aug 91 p 9*

[Unattributed interview with Dr. Peter Szerdahelyi, Ministry of Agriculture deputy state secretary; place and date not given: "We Must Put an End to Losing Markets"—first three paragraphs are MAGYAR HIRLAP introduction]

[Text] Dr. Peter Szerdahelyi is a deputy state secretary at the Ministry of Agriculture. He completed his studies in 1963 at the agriculture department of the Karl Marx University of Economics.

After graduation he was employed at the Analytical Center for Economic Statistics of MEM [Ministry of Agriculture and Food Industry] with increasing organizing and executive responsibilities. For a year and a half he was assigned to the ministry's economic division. Beginning in 1981 he headed the Agriculture and Food Industry Division at the OT [National Planning Office]. Between 1986 and 1989 he served as deputy chairman of the OT and for one year as the OT's state secretary. Prior to his appointment as deputy state secretary Szerdahelyi served as deputy president of the AB Generali Budapest Insurance Corporation. He has been a titular university docent since 1987.

Peter Szerdahelyi, the relatively newly appointed deputy state secretary at the Ministry of Agriculture, is primarily motivated by professional ambition. For this reason he is optimistic about the future, even in the wake of a

mounting agricultural crisis. It is nice to be a winner from that vantage point, as they say....

[MAGYAR HIRLAP] What attracted the deputy president of AB Generali Budapest Insurance Company to the Ministry of Agriculture with an appointment of a deputy state secretary, despite a significant drop in income?

[Szerdahelyi] You are not the first one to suggest that I lost my mind. Everyone—family, friends, and the profession—had doubts about my decision. But the explanation is simple: I am primarily a professional in the field of agriculture, and due to professional considerations I was unable to resist this challenge. As deputy state secretary it will be my job to explore problems related to the economic and market situation, as well as to the future of the agricultural branch, and to help resolve those problems. The task is too serious to permit me to be influenced by ambitions for power.

[MAGYAR HIRLAP] What will be the function of the agricultural economics and market group?

[Szerdahelyi] A legislative proposal providing rules of order for the agricultural market is expected to be submitted to the National Assembly this year. If adopted by parliament, the implementation of the law will be overseen and coordinated by the division responsible for agricultural rules of procedure. We are establishing a separate division to deal exclusively with preparations for joining the Common Market. The international trade and economics divisions will be under my jurisdiction. A separate division will be established to deal with governmental tasks related to the institutional system for financing agriculture, the development of enterprising, and insurance in the field of agriculture.

[MAGYAR HIRLAP] Accordingly, you are optimistic with respect to the future of Hungarian agriculture.

[Szerdahelyi] I am an optimist despite the fact that following the wheat, milk, and meat problems, we will have to face a wine crisis this fall, just to mention the next upcoming crisis. We must recognize the fact that on the one hand we are fighting brush fires, because one way or another we must put an end to the structural and market crisis. On the other hand, we must simultaneously think about "constructing," about the future of the agricultural branches and the resolution of problems which accompany adaptation to market processes. For example, we must find a way to protect Hungarian agriculture albeit along with achieving a competitive stature. Not by using the "expensive" means of the Common Market of course, because we could not even think about those under present economic conditions. The state coffers do not contain superfluous billions to finance the crisis. This purpose will be served by the introduction of rules for the agricultural market, so that benefits may be enjoyed by the efficient, the ones capable of finding markets for the goods produced. A healthy, competitive situation may evolve sooner or later. Even more so because the rules for the agricultural

market now being prepared will take into considerations qualification standards used by the Common Market.

[MAGYAR HIRLAP] Aware of Common Market standards, don't you think that the introduction of those would require a huge change in outlook in Hungary? A kind of outlook that is far removed at present from both the producer and the large plants?

[Szerdahelyi] Undoubtedly, this includes some difficulties, nevertheless I am convinced that even if slowly, we will see the beginning of a change in outlook. I will tell you about the basis of my assumption: Agriculture was first to be confronted with the constraint to do marketing work. The effect appeared first in this branch, and whoever wanted to keep his head above the water was simply forced to do things differently. Just think of the fact that the truly viable farms have established for themselves multiple foundations quite some time ago. In other spheres of production the winds of recession have just reached the enterprises. I feel that a large segment of agriculture is far ahead, and this will serve as collateral for the rest to be forced to change their outlook sooner or later. Everyone must get back on his feet on his own, in the future the Ministry will not be able to play a direct role in this regard. The Ministry will have a responsibility to assist in the transformation of the economic environment, in providing stimulation by selecting on the basis of merits in instances when that is warranted, and by being able to say no to what is obsolete and to things that produce losses. I have yet another important task: I must put an end to losing our markets.

[MAGYAR HIRLAP] At what point will Hungarian agriculture be permitted to enter the Common Market to a greater extent?

[Szerdahelyi] This of course is a matter of general politics and economic policy, and not a function to be resolved merely by a single branch. But based on the history of countries that joined one may ask: How could we avoid a situation in which agriculture hindered our joining? I would remind you of the example provided by Spain, a country that joined the Common Market after lengthy proceedings. I believe that we must count backward from a probable date to the steps we might be able to take these days. Politics may progress more rapidly than the economy.... This alone is a good enough reason for us to prepare ourselves as much as possible.

#### Energy Industry Reorganization Plans Described

##### Oil Industry

91CH0932A Budapest NEPSZABADSAG in Hungarian  
12 Aug 91 p 16

[Article by Judit Kozma: "Fully State Owned, for the Time Being"]

[Excerpts] Reorganization of the energy sector continues. Consistent with the government's energy program, the changes serve to maximize the efficiency of

energy supplies. Monopolistic situations must be dissolved, or where this cannot be done for technical reasons, the activities of monopolies must be regulated and competition must be strengthened, i.e. the largest possible number of factors must be enticed to enter the market, and operating capital needed for developmental projects must be attracted.

The oil industry represents the largest bite. Just as a reminder: In 1990 the OKGT [Crude Oil and Natural Gas Trust] was the largest Hungarian firm and the largest taxpayer. Its 23 firms managed the sale of all oil and oil products; in essence OKGT alone dominated the oil market. Debate centered around two issues. First, whether the OKGT should be continued as a single industrial unit or if it should be broken up, thus permitting the individual units to compete with each other; and second, whether the OKGT should remain in the ownership of the state or if it should be privatized. Most of these issues have been decided: By now the OKGT's ranking among industrial enterprises has dropped significantly [passage omitted]: Suppliers of natural gas, machine industry units, the carbon dioxide manufacturing plants, and the Szolnok oil drilling enterprise have broken off the Trust, Olajterv [planning organization] became a jointly owned stock corporation, and the hydrocarbon industry research institute merged with the trust. Accordingly, today the OKGT is composed of only nine enterprises, and its authority extends only to hydrocarbon mining, transportation, refining, and the sale of crude oil products. Prevailing views hold that a further dismantling of the trust would serve no useful purpose.

This is so because only the two oil refineries could compete, but this idea is gravely flawed by the fact that the capacity of the refineries significantly exceeds the capacity needed to satisfy domestic demand. Both refineries could become uneconomical unless their activities were streamlined. Accordingly, it is appropriate to keep the oil industry—soon to be turned into a stock corporation—in a single hand. The fact that access to storage, transportation, and processing capacities must be guaranteed to all participants is yet another question. Such access would ensure equal chances for everyone in today's already liberalized oil market.

Insofar as liberalization is concerned, the opportunity [to enter the oil business] has created great interest: According to the OKGT, about 70 applications for permits were received and about 100,000 tons of oil products entered the country through new channels for domestic consumption, mainly in the form of diesel fuel and heating oil.

Ownership is the other highly debated issue relative to the oil industry. For the time being, the trust will be transformed into a 100 percent state owned stock corporation. Privatization cannot take place this year under any circumstance. But even thereafter it remains questionable whether the hen which lays the golden egg should be sold. In its original form the OKGT was the largest taxpayer. Last year, for example, it contributed

almost 150 billion forints to the state budget in various forms. And besides, oil represents big business throughout the world. By no coincidence, word about OKGT's transformation produced a number of foreign inquiries expressing an intent to enter the Hungarian oil industry. Although undoubtedly the state could collect a significant amount of money by selling part of the oil industry, the appropriateness of surrendering the ownership of a business with long-term favorable prospects for the sake of revenues that could be realized today is questionable.

All this must not be understood to mean that the OKGT does not count on receiving foreign capital. Irrespective of the profitability of the oil business, funds are not available for highly capital intensive developmental projects. To mention just a few examples: Many billions would be needed for environmental investments and for the modernization of refineries, e.g. to expand lead-free gasoline production and to resolve the problem of processing oil residues. Accordingly, foreign investors are needed, but the details and conditions for foreign investment will be decided only later, upon examining the operations of the organization transformed into a stock corporation. [passage omitted]

#### **Electrical Energy Industry**

*91CH0932B Budapest NEPSZABADSAG in Hungarian  
12 Aug 91 p 17*

[Article by K.J.: "Counterweight to a Monopolistic Situation"]

[Text] The electrical energy industry is one step behind the oil industry. The transformation concept has already been developed; at present they are preparing the necessary documents and make preparations for actions related to the transformation of today's trust into a holding company.

The MVMT [Hungarian Electrical Works Trust] is the second largest enterprise not only within the energy industry, but also within industry as a whole. MVMT is also a large taxpayer: Not counting various local and sales taxes paid by the enterprises, the trust added about 20 billion forints to the state coffers. From a practical standpoint the MVMT supplies all electrical power: Aside from its 11 power plants, six electrical utilities, one main distributor, and four background industry enterprises, no other company is present in this market. MVMT enjoys an absolute monopoly, which can be dissolved only in part because the character of the monopoly is technical. It can be relaxed, however, and the way to accomplish that is by transforming the enterprises of the trust into corporations and the MVMT into a holding corporation.

Due to their diverse character, the process of transformation is different in the various enterprises. Based on present perceptions the power plants could become individual corporations based on the fuel they use and by regions. The goal is to have each power plant form a joint

corporation with the mine that serves a given power plant. This, however, could be achieved only in the long term: the situation of coal mines is unsettled as of today, a majority of them is deep in debt and the electrical energy industry is unable to assume the related financial burden. Once the financial situation of mines is settled and once they reorganize their work on economical foundations, certain associations may be established, e.g. between the Lower Matra Region Coal Mines and the Gagarin Thermal Power Plant, or the Mecsek Mines and the Thermal Power Plant of Pecs.

While the corporations formed of power plants would remain the property of the holding corporation, electrical utilities could in part become local government property in a way that the holding company would still be able to exert influence on the operations of the regionally separate enterprises. The National Electrical Power Lines Enterprise, which performs the "wholesale" function with respect to electrical energy, is expected to remain wholly owned by the holding corporation, i.e. by the state, while the four investment, maintenance, construction, and assembly enterprises are planned to be transformed in a way to enable independent management. While the corporations would be owned in part by local governments and in part by the holding corporation, the holding corporation itself would be wholly owned by the state. All this does not rule out the attraction of foreign capital, but primarily only at a later date. Plans do not call for the sale of individual corporations, but for the entry of foreign capital in conjunction with new facilities construction.

Finally, in the course of transformation certain control mechanisms that help the enforcement of consumer interests must be developed. This involves in part legal issues—such as establishing an obligation to enter into contract—and in part strong professional and social control so that the state and the public jointly offset the consequences of the monopolistic situation.

### Coal Mines

91CH0932B Budapest NEPSZABADSAG in Hungarian  
12 Aug 91 p 17

[Article by Judit Kozma: "A Combined Enterprise May Be Viable"]

[Text] While both the oil and the electrical energy industries have been successful branches of industry, coal mining has been a crisis branch for quite some time. The coal mining industry is also in need of reorganization, but before doing so the mines must clean up their act. The problem can be defined in relatively simple terms. The total coal output at present amounts to between 17 and 18 million tons. From the standpoint of mines the economical output levels will decline to 9.1 million tons by 1995 and to 7.1 million tons by the year 2000. In viewing this prospect not from the standpoint of individual mines, but from the vantage point of entire mining enterprises—i.e. the idea that within individual

enterprises the profitable mines pick up the losses produced by mines operating with deficits—the situation looks more favorable: One may talk about a 14.4-million-ton output in 1995 and a 10.8-million-ton coal production volume in the year 2000. This volume, however, falls short of the expectations. Coal fueled power plants in Hungary produce 2,000 megawatts of electricity, and professionals agree that these power plants should be fueled with Hungarian coal. Some 15 million tons of coal would be required to accomplish that.

The resolution of this problem is influenced by a number of concerns. These are well known, therefore they deserve only brief mention. One of these involves coal prices. Although prices were raised, many believe that the difference between the price of coal used by power plants compared to coal prices paid by consumers is too small, even though coal used in households involves significant added costs. Another problem centers around the indebtedness of mining enterprises. The enterprises will never be able to repay a significant part of these debts. According to enterprise claims, however, acceptable levels of profitability could be achieved in quite a few places by relieving, forgiving or capitalizing the debt burden.

While these debates continue perhaps less intensely than usual because of the summer season, life slowly provides automatic solutions to these problems. Liquidation proceedings have been or are being initiated against four enterprises, but in reality the entire industry branch is at the brink of bankruptcy. According to present perceptions, the liquidated enterprises would continue to operate in the form of stock corporations without legal successors wherever coal could be produced efficiently. In many instances professionals would favor a situation in which the MVMT bought out whatever coal mines it could use from enterprises which in the aggregate are bankrupt. This matter is at the level of discussions only, because cleaning up the mining industry is proving itself to be slow process. The MVMT, on the other hand, is not willing to associate itself with the mines unless their situation has been cleared.

Very little real opportunity for privatization appears to exist with respect to coal mining. One could hardly imagine a situation in which private capital would enter into this kind of risky investment where returns materialize in the long term. Nevertheless as a result of amendments to the mining law one cannot rule out the possibility of the private acquisition of small mines. SZESZEK [Coal Mine Structural Transformation Center] chief Laszlo Vass, who is in charge of developing transformation plants for the mining industry, envisions a possibility for attracting foreign capital primarily in conjunction with the future mine at Dubicsany.

Nevertheless the SZESZEK program regards certain organizational changes as necessary, primarily for the sake of making efficient use of the rather small amount

of capital available in the mining industry. Many independent enterprises exist as a result of today's production and personnel situation. For this reason the program proposes to merge individual mining enterprises. The main, rather great advantage of such regional mining enterprises would be the fact that declining coal production would have to sustain smaller management staffs, thus reducing costs and improving profitability. An even greater advantage would present itself as a result of the increased efficiency of investments. For example: All of today's Trans-Danubian coal mines have prospective coal fields, but they have neither personnel nor the billions of forints required for the opening of mines. In contrast, a merged enterprise could combine the funds left in previous enterprises, and could expend these funds to open the coal field which promises to produce the largest profits. Miners would be assigned to work that field. According to present indications, however, all this belongs to the future. It appears that decisions needed for the structural transformation of coal mining are not being made, even though this would be the most urgent task, since the greatest social tension manifests itself in this branch of industry.

### **Speculators Exploit Bank's Interest Policies**

*91CH0872D Budapest NEPSZABADSAG in Hungarian  
16 Aug 91 p 5*

[Article by Karoly Csabai: "Transfer Deposit—Several Hundreds of Millions Involved in Speculation With Interest Payments"]

[Text] Although a banking scandal similar to that in Poland does not threaten in Hungary, one should know that for almost a year now certain individuals have been engaged in speculations involving interest payments in Hungary, moreover, that such speculations have involved several hundreds of millions of forints. Such speculations are based on the fact that the OTP [National Savings Bank] credits interest earned on transfer deposit accounts not on the basis of moneys deposited throughout a given month, but on amounts actually on deposit as of the 26th of each month.

Thus it occurred that demand deposits held on individual accounts by Postabank and Takarekbank were transferred toward the end of each month by people who knew how to count, to the transfer deposit account of the OTP. By performing this transaction, depositors collected not only 25 days worth of 17 percent interest due on demand deposits [from Postabank and Takarekbank], but also the interest paid by the OTP. Moreover, this extra income has been provided by OTP, the largest bank managing individual accounts, as a result of depositing money for one or two days into the vaults of that financial institution. The back and forth transfer of 1 million forints is estimated to produce an annual yield of 300,000 forints.

In response to an inquiry we were told by Postabank that withdrawals at the end of the month and subsequent

deposits could be observed for almost a year. Increasingly larger amounts departed the bank's vaults as the 20th of each month approached, just to be returned once again around the 30th.

The OTP has also been experiencing adverse conditions around the 26th. Some speculators stand in line at tellers with nylon bags filled with several millions of forints. Some people leave a few forints on deposit just for the sake of propriety, others, however, couldn't care less about semblances and withdraw even the last filler after pocketing the interest.

This speculation with interest payments produces losses to the OTP, because the OTP holds the money in its vaults for a few days only. But "decent" clients may also become aggravated as a result of suddenly increased lines before teller windows. In several instances Postabank was unable to pay as little as a few thousand forints to its depositors because a given office had been stripped of funds earlier. And the fact that the artificial acceleration of the movement of money also increases inflation touches sore spots on all of us.

One cannot accurately determine the amount of speculative money that moves around this way. But OTP estimates that several hundred millions of forints are involved nationwide. One could easily imagine a situation in which many people use their firms' funds in these questionable transactions. And this well fulfills the definition of abusing one's rights.

Having heard all this a simple question readily lends itself: Why does the transfer deposit account function this way, and why are they not calculating daily interest after deposits in the transfer account? As of 26 June the OTP held 20,457 million forints of savings on 915 transfer deposit accounts. In OTP's experience at least 95 percent of its clients takes advantage of the transfer deposit account pursuant to its original purposes. The OTP leadership has also gotten fed up with the losses incurred with respect to transfer deposit accounts and therefore the offices managing the accounts of those who play the interest game will cancel those account shortly. Such action may be justified on grounds of Paragraph 5 of the Civil Code of Laws which prohibits the abuse of one's rights, and regards an exercise of rights which leads to advantages to which a person is not entitled as an abuse of one's rights. Beyond that, the conduct of clients conflicts with a rule spelled out in Paragraph 4, according to which parties [to an agreement] must manifest conduct based on good intentions and decency in the course of exercising their rights and performing their duties.

### **Export Banking, Insurance Firm To Be Established**

*91CH0931A Budapest NEPSZABADSAG in Hungarian  
1 Aug 91 p 8*

[Article by Karoly Csabai: "Next Year: New Export Insurance Company"]

[Text] A new export credit insurance institution will begin operating in early 1992, according to plans. The economic cabinet is expected to discuss within days a joint proposal advanced by the Ministry of Finance [PM], the Ministry of International Economic Relations [NGKM], and the Hungarian National Bank [MNB] for modernizing the present export financing system.

Export transactions are among the most risky undertakings of firms in any given country. For this reason Hungarian exporters required certain guarantees also before. While economic and commercial risks were assumed by the exporting firms and by their banks tied into the transactions, damages stemming from social and political upheavals in the destination countries were underwritten exclusively by the state budget. Other countries followed a similar practice. From a practical standpoint this meant that the state commissioned the Hungarian Insurance Company to write policies covering political risks. The costs of such insurance and the losses were regularly paid by "uncle state."

More than two years ago several professionals within the state administration raised the idea of modernizing the export financing system, but specific work in this regard began only this year. After several months of preparation, the joint proposal of the PM, NGKM, and MNB is now ready to be presented to the economic cabinet.

The basic idea behind the proposal is as follows: In the future the state administration should no longer have to decide on a daily basis whether to provide guarantees and insurance, and if so, what kind of guarantees and insurance it should provide to those who extend export credits or to banks. Individual business decisions must be reached instead. A new institution to be established early next year will be capable of making such decisions. It will assume state budgetary functions and the economic functions of other central organs.

The government must choose between two currently proposed alternatives. Under the first alternative the new organization would provide export guarantees and insurance against political risks and risks existing in given countries. In addition it would also organize efforts to collect damages stemming from late payments or nonpayments by buyers.

Under the second alternative the new organization would also perform export financing functions, in addition to performing all of the above. All this requires medium- and long-term resources, which could be acquired by the institution from either the domestic or the foreign capital market. Since in these days domestic resources are rather tight, and since borrowed funds could be conveyed to exporters only at an interest rate higher than the already high inflation rate, it is likely that the needed funds will have to be acquired from the international capital markets.

Yet another alternative would call for the assignment of an even broader array of functions than that specified under the above two alternatives to the new insurance

company. In the framework of this concept the new institution could offer customary insurance services on the domestic market. Aside from the fact that a possible state majority ownership of the insurance company would exert a disturbing effect on competition between existing insurance firms, this arrangement would also require additional personnel, and it would be difficult to produce funds to cover the added costs.

As stated in the first sentence of this article, the new institution would not be an exclusively state-owned stock corporation, even though functions that may be performed by the state would warrant state majority control. Commercial banks and insurance companies will certainly be among the founders.

It is likely that the operations of the new institution will be governed by separate law. The composite character of the new insurance company does not fit under any law expected to take effect in the near future. Within the new institution features of companies, banks and insurance companies will be combined. There is a definite need for a separate law to govern the extent to which the institution should be able to make long term commitments involving state funds. Short of such law the actual amounts the institution could expend to provide insurance and guarantees would be decided exclusively during parliamentary battles over the appropriation of budgeted funds.

#### Local Social Security Administration Discussed

91CH0889B Budapest MAGYAR HIRLAP  
in Hungarian 30 Aug 91 p 5

[Article by Janos L. Laszlo: "Local Social Security Administration: Control Over Public Monies"—first paragraph is MAGYAR HIRLAP introduction]

[Text] Hungarian society is learning another concept, that of local Social Security administration. Parliament began its debate on the bill this week, yet it is difficult to learn from succinct reports what this new institution really is. Based on the text of the bill and on statements made in the debate to date, we summarize the most important things to know.

Ever since the Social Security fund has been handled separately, the need for managing Social Security through local administration has become more and more pressing. Since the primary source of Social Security benefits is Social Security taxes, there is justification for a continuous participation by citizens in the administration of Social Security. According to those who presented the bill, the form that promotes the reconciliation of interests and the self-organization of Social Security taxpayers best may well be local administration of Social Security. In view of the state's commitment in organizing and operating Social Security, local Social Security administrations would be part of the state organization. They would characteristically allow organizations representing Social Security taxpayers to play a decisive role in carrying out Social Security tasks, and they would

be protected from state organizations by local government rights regulated by law. However, in managing Social Security, the local governments would not take over administrative responsibility completely but rather the rights to control would be divided between Parliament, the government, and the local Social Security administration.

The bill dealing with the establishment of local administration has been put on the agenda during the present period of reforming the Social Security system and, thus, in line with the proposal makers' intention, representatives of the taxpaying employees and contributing employers can be active contributors to the reform of Social Security right from the beginning.

During the parliamentary debate, the MSZP's [Hungarian Socialist Party] Judit Csehak and the Fidesz's [Federation of Young Democrats] Imre Frajna said that what is urgent is not so much the establishment of local administration but rather the reform of Social Security. Csehak added to this that local administration is needed not so much for speeding up reform but rather for the public control of most public monies.

The proposal reckons with the establishment of two local Social Security administrations, with the premise that the division of the Social Security fund will be made still this year and that the 1992 Social Security budget will be prepared on the basis of the retirement fund and health insurance fund that have already been separated.

Local Social Security administration rights can be divided into four large categories: the rights connected with the participation in regulating Social Security; business licenses; the rights connected with forming organizations; and the right of cooperation and alliance with local Social Security administrations, including foreign ones. The proposal makers of local Social Security administrations would participate in the legal regulation of Social Security with the right to evaluate and to approve. Their right to engage in business activities would be connected to the Social Security budget that they would administer, and they would be given the authority to manage the local governments' assets.

The method of selecting Social Security representatives was one of the most debated issues. Minister of Public Welfare Laszlo Surjan, who presented the bill, also acknowledged that the most ideal solution would be to elect the representatives directly at the time of reelecting the local Social Security administrators every four years. However, this solution has not been proposed at this time, because of the following reasons: direct elections would be very expensive, the estimated cost being 700 million to 800 million forints and, in addition, these expenses would have to be covered by the Social Security Fund's 1991 budget—at the expense of services. Participation in the election would probably be very low. The logistics of such an election would require detailed preparations and, for this reason, the election could only be scheduled during 60-90 days after the law goes into

effect. However, this would delay the date of the local governments' statutory general meeting making the local governments' participation in the preparation of the 1992 Social Security budget questionable. Because of all this, the government's proposal is to have Social Security representatives delegated for four years by representatives of those entitled to Social Security, in proportion to the previous year's average number of members, and by representatives of employers, in proportion to the previous year's contributions to the Social Security funds. However, direct election is included in the proposal as an alternative. MDF [Hungarian Democratic Forum] representative Sandor Kulin raised the idea during the parliamentary debate that local governments could also play a role in local Social Security administration. This was rejected by Ottilia Solt of SZDSZ [Alliance of Free Democrats], saying that local governments were elected on a purely political basis. She could approve the principle of delegation only if it would reflect the results of the coming trade union elections.

Incidentally, the general membership of the local retirement fund administration would consist of 120 Social Security representatives. Those entitled to Social Security benefits would have 72 representatives, with the stipulation that eight of them would represent retirees directly. The number of Social Security representatives of employers would be 48. The general membership of the local health insurance administration would consist of 120 persons, 60 of whom would represent those entitled to Social Security benefits, and 60 would represent employers.

#### Favorable Change Seen on Grain Exchange

*91CH0889C Budapest MAGYAR HIRLAP  
in Hungarian 30 Aug 91 p 8*

[Article by Arutozsde, Ltd., Merchandise Stock Exchange: "Sudden Change at the Grain Exchange"]

[Text] A definite change took place in the present trend in the grain market. Malm wheat is in demand, commanding a higher-than-minimum price. The trade of corn started with longer deadlines. The only place where no change took place was the fodder wheat market: No one is buying, not even at minimum prices. Business turnover, which has not been too active even under these circumstances, has been as follows: 3,140 tons of grain changed hands in the value of 21 million forints.

Malm wheat was sold at 5,550 forints in the September shipments. (True, at the closure, not even the 5,550-forint price brought in any buyers.) Its price quote was 5,560 for October, 6,300 for next March, and 6,400 forints for next May. According to indications, lower quality is a serious national concern. Because of excessive rain, harvested wheat is only suitable for fodder in many places, and there is too much of it even for that, which is also indicated by the trend in its pricing.

The ice has broken, and the corn market is a bit livelier. Although the prices, in view of the expenses, are practically the same as minimum prices, buyers are finally willing to pay it, and sellers are making the most of it. The deadline for the September shipment closed at 7,200 forints. Deals closed at 6,400 for December and at 7,350 forints for May. Offers for March grain were as high as 7,050 forints, and the highest counteroffer was 7,180 forints.

An exchange membership is for sale. Just a few weeks ago, a membership was sold for 1.1 million forints. Another one has now been offered, this time for 1.3 million forints.

#### Signs of 'Malaise' Evident During Pope's Visit

91CH0867B Paris *LE MONDE* in French 19 Aug 91  
p 14

[Article by Henri Tincq: "Pope John Paul II Warns Against Return to 'Anachronistic Models'"]

[Text] On Friday, 16 August, Pope John Paul II began his first visit to Hungary with a stop in Esztergom, headquarters of the primate and the old capital, located 70 km from Budapest, which he reached by a boat trip on the Danube. On Saturday and Sunday, 17 and 18 August, the pope was to proceed on to provincial cities: Pecs, Mariapocs, and Debrecen, historically the center of the Reformed Church.

Budapest—Poland and Hungary are separated by more than the Tatras Mountain peaks. After the crush of Czestochowa, the pope must have endured something of a shock on Friday afternoon, the 16th, when he celebrated his first mass in Hungary in Esztergom, before a rather thin crowd of faithful, both elderly and restrained in their applause. The tiny crowds that awaited the pope on the quais of the Danube that evening in Budapest confirmed the first impression of malaise. The size of the police contingent mobilized for the event (totaling 20,000) was also enough to discourage even those fond of wading in humanity!

The ice was not broken until the middle of the night when, following private meetings with the country's officials, the pope emerged from Parliament and thousands of persons bathed in floodlights sang an old Hungarian chant: "Oh Lord, bless our Holy Father." A comparison with Poland is nevertheless inevitable: on one side, a Church that made a show of strength against communism and is having trouble falling back in line; and on the other, in Hungary, a Church beset by complexes and doubly handicapped by the aftermath of the persecution of the 1950's, which left it bled white, and a bad reputation stemming from its attempted compromises with the Communist Government (*LE MONDE*, 16 August).

#### "Too Expensive for Us"

Nor was the Hungarian Church spared by criticism preceding John Paul's visit, particularly in liberal circles. On the eve of his arrival, MAGYAR NARANLS, organ of the opposition FIDESZ party, published a four-page insert filled with caricatures of the pope. A controversy over the cost of the visit preceded his arrival and, on 15 August, a demonstration rallied a few dozen young people in the heart of Budapest who carried streamers bearing the words: "You are too expensive for us, Holy Father." Nor is dissent absent from the very heart of the Catholic Church. Father Georgy Bulany's grassroots communities, the "Bukor," published a letter condemning John Paul's conservatism and the Hungarian hierarchy's compromises.

The pope was invited to the country as early as 1989 amidst a climate of a return to freedom that was far more favorable than what exists today. Despite this lesser interest, he nevertheless continues to plow his furrow in a Central Europe freed from communism and still feeling its way along to the future. On the very first day, as he did only recently in Poland and in Czechoslovakia in 1990, he asked the people of Hungary not to yield to despair or controversy, selfish individualism, or the illusions of the West.

"Your country has won its sovereignty," he said Friday upon his arrival at the Budapest airport, after being warmly greeted by President Arpad Goncz and the entire government. "However," he hastened to add, "we see other enemies appearing on the horizon, other illusions to fight: conflicts within your society, the selfish interests of individuals and groups that oppose one another."

#### Cardinal Mindszenty

In the crush, Pope John Paul kept his distance from conservative and nationalistic minorities nostalgic for the old monarchy and the all-powerful Catholicism of yore. He discouraged Hungarians from "going back to anachronistic models, however glorious, of the past. It is your duty," he stressed, "to build a brand-new house where future generations can grow up."

At the Esztergom Basilica, the largest church in the country, the pope also confronted Hungarian Catholics, split by quarrels over the past, with their responsibilities. "I am well aware of the tests which the unity of people of God in this country has been put through," he said in his sermon. "I know that some wounds remain open. It is now time for charity to prevail over any remaining tension, reservations, or suspicions."

Pope John Paul knelt before the tomb of Cardinal Mindszenty, the late primate of Hungary and a historic figure in the resistance to communism. The transfer of his remains from Mariazell (Austria) to Esztergom in May resulted in humorous reactions against the current

primate, Cardinal Paskai, accused of being too complacent under communism. In his speeches, the pope mentioned Cardinal Mindszenty only once all day but, realizing the enormity of their gaffe, Vatican press services hastened to pass out to newsmen an addendum to the Esztergom sermon in which John Paul paid emphatic homage to the man Hungarians continue to call the "iron cardinal." In 1971, his exile to Vienna, where he died four years later, was forced on him by the Vatican, then the supporter of a policy of flexibility toward East bloc regimes.

### 'Chaotic Situation' of Hungarian Church Viewed

*91CH0867A Paris LE MONDE in French 16 Aug 91 pp 1, 3*

[Article by Henri Tincq: "The Renaissance of the Hungarian Church"]

[Text] Budapest—On Rue Makarengo is the stone relief paying homage to the memory of Jesuit Bela Banga, who became famous between the wars. It can now be seen by the public. Chisel marks betray the work of restoration. On the door of the same building, bearing testimony to a period now over, the plaque identifying the Karl Marx Institute of Economic Studies has not been removed. This superposition of images brings a smile to the face of Gabor Roszik, Lutheran minister and deputy representing the Democratic Forum: "Hungary is an equestrian nation," he says, "but Hungarians do not know how to ride. They always fall off on one side or the other."

After being persecuted and treated like a puppet for 40 years under an atheistic communist regime, the church in Hungary is experiencing a return to grace, the most spectacular manifestation of which is the first visit to the country by a pope four months after the triumphant return of the remains of Monsignor Mindszenty, the "iron cardinal."<sup>1</sup> Second largest, the Reformed Church does not intend to be left on the sidelines. It assembled tens of thousands of faithful in a large Budapest stadium in June, and the Lutherans have just opened a national "council" to draw the lessons from the communist period and plan for the future.

Hungary thus embarks upon a new Baroque age. Banned since 1950, the Jesuit, Cistercian, Dominican, Lazarist, and other religious orders are coming back to the country one after the other. The churches are taking back their schools, hospitals, and orphanages that were so brutally nationalized in 1948. Catechism has been taught in the public schools for the past year. Youth movements are surfacing again and the religious press and publishing houses are hard at work. A Catholic university will even be built in northern Budapest on the site of an old Soviet barracks!

This situation is giving wings to those nostalgic for the old monarchy or regent Miklos Horthy. In a Hungary that was almost feudal until the last war, Catholicism was the state religion.

One school out of every two belongs to the church, which also combined the land holdings inherited from the Habsburgs, including banks and factories. Inversely, this clerical renewal divides the political and intellectual class, as demonstrated by parliamentary rows over religious instruction in state schools or the restoration of church property. Anticlerical circles brandish the spectre of a return to the between-war *kereszteny kursus* ("Christian course"), which was vehemently nationalistic and anti-Semitic, and a "black dictatorship" after the "red dictatorship."

Actually, the churches deserve neither this excess of honor nor such indignity. In a country still in the "kindergarten" of democracy, full of promise and already disenchanted, they have lost less ground, despite their past cooperation with communist authorities, than other mass organizations or discredited institutions such as the police, courts, unions or the army. It is now "in" to identify oneself as a "believer" (70 percent in a recent poll, compared with 55 percent in 1980) and even to manifest one's membership in a given denomination.<sup>2</sup> "It is also a way of passing oneself off as a past victim and pushing oneself forward in society," sociologist Miklos Tomka remarks drily.

The postwar period was definitely a cruel test for all the churches. Priests, ministers, and bishops alike were arrested and imprisoned. Religious teaching was banned and any public expression of faith prescribed. Associations and movements were dissolved, while religious orders—except for four out of 60—were done away with. "In a single night, over 10,000 members of religious orders had to flee." These are the pictures engraved in the collective memory.

After final approval on 10 July of the law restoring their schools, convents, and hospitals, the churches have 90 days to file their claims. A joint committee will examine the lists, but privatization operations will be spread out over 10 years. The government coalition has pledged to defend the rights of the expropriated churches, just as it did in the past for religious teaching in the public schools. Laszlo Surjan, minister of health and president of the Christian Democratic Party, wants, he says, to give "every chance" to churches he labels as the "spokesmen for Hungarian culture" or "instruments for edification of the masses."

"But the clerics find we are too liberal and the liberals think we are too clerical," says Miklos Lukats, secretary of state for religious affairs. Indeed, the opposition fears that by repeated gifts to the churches, the country may be imposing new burdens on itself. It is campaigning against the risk of intolerance and wields the spectre of laying off personnel in privatized establishments returned to the churches.

"These anticlerical excesses astonish religious leaders, who attribute them to the weight of 40 years of atheistic propaganda. "For me, this violence remains an enigma," says Monsignor Istvan Seregy, bishop of Eger and

president of the episcopal conference. "We are only asking the minimum we need in order to live and do our work: schools to teach, homes where we may provide care, buildings to house our communities. We spent 40 years begging from the government and the West. Now we want to have the financial foundations for our independence."

If they are gradually regaining their material resources and social and moral prestige, which recently made it possible for the Catholic episcopacy to come out against the law authorizing abortion (in more moderate terms than did its Polish counterpart), the Hungarian churches nevertheless remain weakened, handicapped, and divided, primarily by their past cooperation with the communist government. Symbolized in the 1970's and until his death in 1986 by Cardinal Lekai, primate of Hungary, and encouraged by the Vatican, the so-called policy of "little steps" did make it possible to glean some compensation in the way of freedom of worship, the religious education of children, and a handful of admissions to seminaries and the novitiates, but at the price of what backing given to the regime by Protestant bishops, Catholic dignitaries, and even the chief rabbi of Budapest, going to the extreme of accepting official missions and getting themselves "elected" as deputies!

#### Settling Accounts

The settling of accounts now taking place in Hungarian churches is no secret. For having condemned the excessively close relations which Lutheran Bishop Bela Harmaty maintained with Imre Miklos, minister of religion under Kadar, Minister Roszik was hauled before the ecclesiastical court and removed. However, he won on appeal and continues to proclaim that "three-quarters of the bishops, priests, and professors of theology compromised themselves" in order to obtain posts, scholarships, or permission to travel abroad.

On the Catholic side also, extremists seem to be prevailing: on the left one has the "grassroots communities" of Father Gyorgy Bulany, born of the fight against the conservative hierarchy and its cooperation with the communists, long in the Vatican's sights; on the right, those nostalgic for Cardinal Mindszenty, the symbol of absolute intransigence during the 1950's. Some priests have already sanctified him.

The memory of these events has cut the Catholic hierarchy off from part of its followers. "We have lived through a humiliating time, an anticipation of freedom filled with compromises that caused more damage than did the dictatorship itself," admits Monsignor Asztrik Varszegy, new prior of the Benedictine Abbey of Pannonhalma. The image of the current primate, Cardinal Paskai, archbishop of Esztergom, who failed to be elected president of the episcopal conference, is itself tarnished. Certain Catholics, like the young progressives associated with the journal IGEN, are demanding a survey of historians. What is more, they say, "those responsible should confess their sin rather than await

judgment from the outside." However, there are still very few prelates who, like Monsignor Endre Gyulay, bishop of Szeged, writing in the Catholic newspaper UJ EMBER in May, asked forgiveness for the church, "which was not able to protect its imprisoned priests or take them in after their incarceration, forgiveness from laymen persecuted because of their faith, forgiveness from the faithful who did not receive the aid they needed from the priests."

#### Lost Generation

"We have lost a generation and it will take us as least until the next one to be able to restore true Christian life," admits Monsignor Seregely, president of the conference of bishops. Indeed, while the country's officials have understood the benefits to be derived from an understanding with the churches, the threat of a neoclerical order used by extremist secular milieus seems to have lasted for a long time. Religious orders are returning to the country, but in disastrous condition! "Our youngest Jesuits are 60 years old!" they report at the provincial headquarters of the Society of Jesus recently reopened in Budapest. Even diminished in size by rented apartments, the building is still too big for a congregation reduced to 80 Jesuits compared with 300 in 1950 (80 more have remained abroad). Prohibited from training novices, the orders are now aging and ill-adapted to the new situation in the country. Their schools are being given back to them, but they have no teachers to staff them!

The secular clergy itself is small: 2,500 priests compared with 6,000 before the war, and has little contact with young people. While the churches are again filled in Budapest or the big provincial cities, the rural areas are de-Christianized, where they are far from the attendance rate of Sunday mass typical of precommunism days: about 12 percent now, compared with 70 percent 40 years ago. The people are traditionally highly religious. The trend toward modernization that began with Vatican II (1962-65) scarcely affected the country.

Unlike the Polish and Slovak priests, the Hungarian, Catholic, or Protestant clergy were practically absent from the events that led to the democratic transition. It therefore now finds itself in a state of isolation, an isolation that includes the hierarchy.

The renewal could come from the "grassroots communities" that were formed underground, on the fringe of the parishes and official church structures. Numbering anywhere from 4,000 to 5,000, they played a useful role in the organization and education of the faithful on their crossover through the desert, but are now reluctant to return to the ranks. The Catholic Church hopes the Pope's visit will encourage the coming together of generations and trends that now know nothing of one another. Once all-powerful, crushed in the recent past, and now recovering, the Hungarian Church is still far too chaotic to allow any serious hope of attributing dreams of reconquest and grandeur to it.

**Footnotes**

1. Arrested by the communists in 1948, imprisoned and tortured, Monsignor Mindszenty was freed in 1956. When the Soviet tanks arrived, he sought refuge at the

American Embassy in Budapest, never emerging until forced to do so by the Vatican in 1971. He died in Vienna in 1975.

2. Catholics comprise the majority in Hungary, with nearly 60 percent of all faithful. Protestants total about 30 percent.

**Trilateral Regional Cooperation Overview**  
*91EP0715A Warsaw SENS in Polish Jun-Jul 91 p 38*

[Article by Włodzimierz Lozinski: "Warsaw-Prague-Budapest: The Future of the Historical Triangle"]

[Text] A summit meeting of Hungary, Czechoslovakia, and Poland, which was held in February of this year in the historic capital of Hungary, Visegrad, was supposed to symbolize the will for a political and economic rapprochement of the three countries at a time of structural changes which are essential for Europe. Hungarian Prime Minister Jozsef Antall, Czechoslovak President Vaclav Havel, and Polish President Lech Walesa proclaimed during the meeting the desire to cooperate in a manner that would open a better path toward all-European unity, primarily economic unity, for the entire "Triangle." Guidelines were established for continuous political consultations and sharing other experiences favorable for the cooperation of the three countries which share many common traditions, experiences, and reform plans.

In the opinion of Minister of Foreign Affairs of the Republic of Poland Krzysztof Skubiszewski, who recently made a statement in the Sejm, the Visegrad ideas are being implemented; however, the process of rapprochement should be viewed in terms of many years rather than months. Consultations are being held. Free market commercial relations have not been set back to the degree that happened with the Soviet Union when that country switched to convertible currencies. Czechoslovakia abolished visa requirements for Polish citizen, having previously already done so with regard to Hungary. Directions for economic reforms are under study, and the search is on for complementarity in mutual cooperation in industry.

This is a lot, considering that three months have passed since the new effort was undertaken. However, this is also very little in comparison with the experience, potential, and needs dictated to the states of the "Triangle" by the imperative of all-European hopes. Besides, at times Visegrad appears to run counter to these jointly affirmed hopes. After all, how can the Czechs have a good opinion of our intentions if President Walesa, in a conversation with Western businessmen, encourages them to invest capital in our country because it is more stable, and reforms in it are more advanced, than in... Czechoslovakia? What are the residents of the borderlands of Poland, Moravia, and Slovakia supposed to think about each other if delegations of the two countries cannot resolve issues regarding the ownership of several dozen hectares of land or environmental protection despite negotiations which have been underway for years? Equally bitter thoughts occur to the Hungarians and the Slovaks in connection with discussions regarding the future of a power plant built on the Danube. Likewise, there is no dearth of indiscretion in our individual races toward the EEC and other organizations of Western

Europe. All of this begs the question of whether Visegrad was a gala day of good intentions blown away by parochialism running counter to the objective interests of the entire "Triangle."

**A Bit of History**

Visegrad was a truly beautiful chapter in the history of Europe in the 14th century. Three monarchs, Kazimierz the Great of Poland, John Luxembourg of Moravia, and Charles Robert of Hungary, who met there in November 1335 affirmed their friendship by sealing the renunciation of rights to the Polish crown by the Czech king. Unfortunately, two weeks later, the Czechs and the Hungarians supported the Teutonic Order in its conflict with Krakow, in order not to allow the Kingdom of Poland to become too strong. Four years later, Kazimierz the Great was inclined to formally promise to transfer the Polish throne to an Angevin from the Hungarian dynasty. As we know, this was not the worst solution though it antagonized the Czech court.

I am recalling this detail about Visegrad both in view of the meeting of the modern leaders of the three countries in the ruins of the first capital of Hungary being topical, and in view of consequences which are still a factor. Things were not bad for the Hungarians. The Slovaks, who were hungarianized throughout the period of the Austro-Hungarian monarchy, cannot say this. In the case of Poland, animosity reverberated in a dispute with Czechoslovakia over the Trans-Olza area immediately after World War I. Pilsudski believed that this entire area with a preponderance of Polish population should have come to us. The opinion of victorious participants in the Spaa conference was different. Influenced by the arguments of Edvard Benes, they decided in July 1919 that a plebiscite would determine the affiliation of Trans-Olza. The plebiscite was never held because the Czechs occupied this territory militarily, whereas Poland, which was at the time entangled in a war with Russia, was not in a position to intervene. We paid Czechoslovakia back for this in an equally inappropriate manner in 1938, precisely at the time when Hitler took over the Western part [of Czechoslovakia], and subsequently liquidated the statehood of our southern neighbor.

The animosity of the Czechs regarding the Poles came to the level of hatred, which was restricted only as late as the years of World War II. At the time, the focus of molding postwar relations shifted to London, where the exiled authorities of both countries ended up. Wladyslaw Sikorski made an attempt to come to an understanding with President Benes as early as late 1939 and early 1940. They even prepared a draft joint declaration which provided for close political cooperation and even a confederation. These facts were reflected in detail in *Modern Political History of Poland, Volume II* by Wladyslaw Pobog-Malinowski (published by B. Swiderski, London, 1967).

However, hopes for a Polish-Czechoslovak confederation were dashed when the German-Soviet war broke out. Benes was no longer interested in too close an alliance with Poland, whose London-based government laid a claim to prewar borders in the East. The Czech leader wanted to resume his Soviet alliance and guarantees as considerably more certain from the point of view of the postwar security of Central Europe. Benes believed that for this reason, an alliance with Poland, which was involved in a territorial dispute with Moscow, would present an obstacle for Czechoslovakia in rebuilding friendly relations with a much stronger partner. For this reason, in response to a report on the signing of the Polish-Soviet treaty by Sikorski and Maiskiy on 30 July 1941, Benes made a speech on the radio addressed to his countrymen in which he expressed joy over "Czechoslovakia and Russia being directly adjacent" as a result of territorial changes after the completion of the war. This amounted to indirect support for Soviet border claims. This was interpreted in the camp of Polish emigres as an extreme act of "Russophilia" which dashed hopes for a Polish-Czechoslovak alliance.

The postwar period had, and still has, a positive aspect which eliminates territorial squabbles. The well-known history of relations imposed by the dominant role of the Soviet Union in all of Eastern Europe, the Warsaw Treaty, and the CEMA accounted for the rest. What we had was formal closeness devoid of natural geographical, economic, and cultural prerequisites.

#### New Opportunities and Obstacles

Transformations in Central Europe in 1989, as well as the situation in the Soviet Union, created new prerequisites for cooperation between Poland, Czechoslovakia, and Hungary. First, the Warsaw Treaty stopped functioning as an instrument for dividing Europe into opposing blocs. Together with the Treaty, a military threat to the entire continent disappeared. Instead, opportunities appeared for building a comprehensive security system based on the Final Act of the Conference on Security and Cooperation in Europe. Therefore, the three aforementioned states, as well as other states of the former Soviet bloc, may come up with many common views of the format of a future secure Europe. The more cohesive their efforts, the more effective they may turn out to be.

Second, the sooner and more completely the aforementioned partners are capable of coordinating their activities in the sphere of restructuring, updating, and developing their own economic potential, based on Western standards, the better the opportunities will be for catching up with and joining Western Europe, which are provided by the abandonment of the already dead CEMA and a transition to market economies in the "Triangle" states.

Third, the historic experience of many states indicates that the overcoming of economic crises results in greater benefits when partners in cooperation give up autarchy

and can bring themselves to openly take advantage of opportunities afforded by raw material, technological, and every other kind of complementarity. Let us note that the present-day European Community evolved from small-scale agreements between three, and subsequently six states in the fields of coal and steel, and subsequently trade, and later agriculture, and finally investment and capital.

Besides, there was no uniform direct path to the EEC which currently numbers 12 members. The EFTA (a tariffs and trade agreement) or the Nordic Council, including five states of Northern Europe, survived as a form of regional cooperation. Even the fact that one member of the council, Denmark, at the same time belongs to the EEC does not interfere with the operation of the council in areas such as joint employment, ecology, or investment policies.

After all, EEC functionaries have stressed on numerous occasions that regional cooperation between the states of Central and Eastern Europe will not be an obstacle but may rather be a factor speeding up all-European integration precisely due to opportunities found in the field of coordinating efforts associated with economic restructuring.

Do the Poles, the Czechs, the Slovaks, and the Hungarians take a similar view of this?

I have already recalled our diplomatic clumsiness. It boiled down to attempts to capitalize on the fact that we were the first ones in the entire former Soviet bloc to accomplish rapid changes. Partners do not want to recognize this as a sufficient reason for a bonus.

In Prague and Budapest, we are simultaneously viewed as too large, too expansive, and too poor. It was for these reasons that objections were raised in Czechoslovakia, when toward the end of last year, Zbigniew Brzezinski dusted off the old idea of a Polish-Czechoslovak confederation. The Brzezinski project became so alarming for Prague that a lot was done there in order to contain the efforts of Poland to join the Pentagonal Group (Italy, Austria, Yugoslavia, Hungary, and Czechoslovakia) and transform it into the Hexagonal Group. Despite this fears, this was done.

With a population almost four times greater than Hungary and more than twice as large as that of Czechoslovakia, we are too strong for the Budapest-Prague-Warsaw "Triangle." In the opinion of our neighbors, we also have exceedingly strong, dangerous anti-German phobias which they do not have, and which can be an obstacle in moving together toward a united Europe. Our lower per capita national income and less developed industry are viewed in Prague, and to a degree also in Budapest, as a negative aspect of the possible joint economic reconstruction. For example, the Czechs believe that they will have to subsidize Polish restructuring. All partners are also burdened by the autarchy practiced throughout the entire period of existence of the

socialist commonwealth. The expansion of the automotive industry based on individual searches for Western partners by each country on its own is a recent example of such autarchy. The same is the case in other industries.

#### Regionalism After All

Despite multiple obstacles, it would be a mistake to believe that the "Triangle" idea cannot succeed, that Visegrad was merely a demonstration of good intentions. For example, the time which has elapsed since that meeting has shown that joint actions by the "three" in relations with the EEC result in greater benefits than separate efforts to secure associate, and subsequently full membership. The principle that we cannot enter the Europe of communities with tightly sealed borders, prohibitive customs duties, and financial and economic restrictions in relations with our neighbors is getting the upper hand.

The neighbors are also learning quickly that the opening of the borders brings about the gradual resolution of the problems of discrimination of ethnic minorities and about appreciation for their sociocultural aspirations. The opening of borders is also a condition for developing the cooperation of neighboring micro-areas from which all larger activities should originate. After all, this is the thrust of the first research analysis done at the Department of European Institutions of the Polish Ministry of Foreign Affairs. They proceed from the correct premise requesting that neighbors depoliticize state-to-state cooperation and entrust initial steps to local border areas—their self-government bodies and economic organizations.

Since we have said "a" in our striving for a free market economy inside the country by giving up orders and quotas on the national scale, we should say "b" by acknowledging the conviction that the common sense of our neighbors will suggest to them optimal solutions to trade, and subsequently investment and financial issues. Nobody has to lose by virtue of this. Everybody can win, as was the case in the borderlands of other European states which later created larger communities.

Since I recalled studies done at the Polish Ministry of Foreign Affairs, I will add that the first document to come out of there refers not only to the border areas of "the three," but also to the Transcarpathian Ukraine, Romanian Transylvania, and therefore, the area of the entire West Carpathians. A beginning of cooperation in this area could be made by jointly creating an infrastructure for tourism, building direct road links from

Rzeszow and Przemysl to Kosice, Uzhgorod, Debrecen, and Cluj, and finally, by founding industrial and commercial partnerships.

The authors of the Ministry of Foreign Affairs study wrote: "Cross border subregional cooperation in the border areas of the five aforementioned states, which would be driven by cooperation among the 'three,' could provide a good foundation for reinforcing security, stability, and the overall development of civilization, primarily economic development, in this part of Europe which in the past did not exhibit such features."

Outlining the status of relations in the "Triangle" after the Visegrad meeting, Minister Skubiszewski said that regionalism interpreted in a new way is "not only an instrument for implementing specific projects of local cooperation but also a stabilizing factor along the north-south axis in our region."

So far, the Central European states have never succeeded in creating a strong confederation or even an alliance, which has always been desirable from the point of view of their historical interest. This has not been possible in the scope of states. However, the states are now facing a need, suggested by the interest of the entire continent. Perhaps, they are beginning to understand that the path to a common, secure, and affluent Europe runs through small steps in subregional cooperation, which affects the common people most quickly. After all, it is the common people that are shaping the future Europe, just as Europe is shaping them.

#### Poll on Popularity of Major Political Figures

91EP0703A Warsaw ZYCIE WARSZAWY in Polish  
16 Aug 91 p 2

[Article by Jacek Raciborski: "Who Is Going to the Sejm?"]

[Text] How can the election potential of politicians be determined? There are many ways to do it. One of them is to study which politicians should end up in the new Sejm as the public sees it.

In July, sociologists from the University of Warsaw asked this question, offering a list of more than 30 politicians to those polled. From among the names of the best known individuals, only those of the prime minister and the president were not placed on the list for obvious reasons, as well as those of Ewa Letowska and Leszek Balcerowicz, who do not intend to run.

Let us look now at what the verdict of the public was, and for whom, in the opinion of the people, "it would be good to be elected to the future parliament." The ten individuals with the highest approval rating are included in the table.

	Approval	Out of Which Definite Approval	Rejection	No Opinion	Unfamiliarity
Jacek Kuron	65	(34)	20	2	12
Adam Michnik	59	(29)	19	5	15
Tadeusz Mazowiecki	58	(25)	23	2	16
Jan K. Bielecki	57	(21)	22	3	17
Włodzimierz Cimoszewicz	37	(14)	32	10	20
Marian Krzaklewski	33	(14)	11	38	17
Zbigniew Bujak	33	(11)	20	22	25
Wiesława Ziolkowska	32	(11)	20	29	17
Roman Bartoszcze	31	(10)	35	7	27
Wojciech Jaruzelski	28	(13)	52	1	18

As can be seen, Jacek Kuron received the highest percentage of "definitely yes" and "rather yes," outstripping Adam Michnik and Tadeusz Mazowiecki. Marian Krzaklewski, Wiesława Ziolkowska, and Zbigniew Bujak turned to be the least known among the ten. Those polled had the greatest difficulty expressing their views of Roman Bartoszcze, Zbigniew Bujak, and Włodzimierz Cimoszewicz.

Wojciech Jaruzelski, Roman Bartoszcze, and Włodzimierz Cimoszewicz had the most opponents (we are referring all the time to the 10 politicians mentioned in the table).

Stanisław Tyminski, who was approved by 25 percent of those surveyed, did not make it to the top 10. This result gave him 13th place. However, it would be premature to conclude that his popularity has collapsed. In a ranking based on another question from the same survey (only one person from among a similar set of politicians had to be indicated), Tyminski received eight percent of the vote, which gave him a good 4th place immediately after T. Mazowiecki.

S. Tyminski continues to polarize public opinion more than anyone else. He has a not-too-numerous but stable circle of supporters and a large group of resolute opponents. As many as 55 percent of those surveyed said that it would not be good if he ended up in the future Sejm.

One more note: Jarosław Kaczyński made the best showing from among the politicians of the Center Accord, gaining the approval of 24 percent of those surveyed (14th rank) and being rejected by 40 percent.

What do the data outlined here in brief suggest?

It appears that they are an indication of the authority politicians enjoy rather than data on the actual intent to vote on the part of those surveyed. If this the case, we are facing the issue of a crisis of political authorities. As can be seen, only a few politicians were given a "strong" recommendation to perform the function of deputy (measured in terms of the response "definitely yes") on the part of public opinion.

We will also add on the basis of other results of the survey that, even in the few cases in which we can refer to the popularity and authority of specific individuals, they do not extend to groups very much. Politicians of the Democratic Union took the lead in the ranking, but their party did not get a good ranking in responses to a similarly worded question. Twenty-four percent of those polled expressed sympathy for this party, 38 percent expressed indifference, and eight percent expressed dislike.

The phenomenon also affects other groups. In view of this, the apprehension may be that the relative weakness of all political parties will make holding truly democratic elections to the parliament fundamentally more difficult, and will prompt politicians to replace party structures with all kinds of stand-ins.

The survey was carried out in July of this year by the Division of Political Sociology of the Institute of Sociology of the University of Warsaw (in cooperation with the Kelles-Krauz Fund) on a random sample of adult citizens (850 people).

#### Commentary on Confusing Choices for Voters

91EP0692A Warsaw GAZETA WYBORCZA in Polish  
14-15 Aug 91 p 15

[Article by Ewa Milewicz: "Voters in Wonderland"]

[Text] The life of political parties is groovy. They have only one concern: how to scrape up funds for a campaign.

The life of a voter is hard. There is no tougher occupation in Poland than being a voter.

Before the elections, voters are kept in the dark concerning political, often scandalous, affairs; however, once the campaign season begins, they are inundated with many previously unrevealed affairs. They can vote all right, but they can hardly understand.

For example, if Art-B is at issue, the voters learn the most about the topography of Poland and Israel. Therefore, it is known who had a house where and with how

many rooms, in what countries they were located, and on which beaches the Baptist [Bagsik] and the Protestant [Gawronski] tanned. However, the voters unfortunately do not know what this company has done wrong or whether it is morally or legally reprehensible.

The only thing that the voter learns is that legal loopholes are to blame. Other loopholes are responsible for other affairs, for example, the alcohol affair.

The Center Accord sponsored a special conference about the corruption and economic crime that is sweeping the country. This is a highly salable election slogan: The people are convinced that all authorities steal, but at the same time they would like to have transparent authorities. Sociologist Edmund Wnuk-Lipinski reminded the elites about the latter need immediately after the round-table.

Wojciech Arkuszewski, a member of the Presidium of the Solidarity National Commission, believes that mounting corruption is by no means election propaganda. Control continues to be in a critical situation. Therefore, it is necessary to increase the NIK [Supreme Chamber of Control] budget and set up a bureau for detecting loopholes in the law. Arkuszewski told me that he had heard about a private company that paid nine lawyers to look for legal loopholes on which money could be made. Therefore, Arkuszewski wants the state to look for the loopholes, and once it finds them, slap retroactive taxes on those who have made money by using these loopholes.

Perhaps the parties should engage in looking for loopholes? Since the issue of corruption is going to dominate the election campaign, the parties should compete among themselves as to which one finds more such illicit opportunities and blocks them. On this occasion, the parties could advertise themselves and show the voters how smart and well versed in economic intricacies they are.

The voters will learn little about the parties if they read their programs. Meanwhile, those who would like to learn about the programs in depth are not the common type. These are rare voters.

Common people will hear what the newscast reports, and remember slogans from posters or party boasts on TV.

They will learn, for example, that both the SDRP [Social Democrats of the Republic of Poland] and the PC [Center Accord] come out in favor of building a social market economy in Poland. The SDRP protests against "the dogmatic monetarism of Balcerowicz," and the PC also takes a skeptical view of Balcerowicz. Both parties agree that decontrolling wages will cause an economic recovery.

Both Stefan Kurowski (a coauthor of the PC program) and Włodzimierz Cimoszewicz (engine of the SDRP, despite the fact that he does not belong to this party) say that the concept of "the invisible hand of the market"

creating a healthy economy in our country has failed. Both want to eliminate the tax on above-the-plan growth of remunerations and the positive interest rate which makes credit more expensive. Both are against the rigid exchange rate of the dollar.

Both parties are skeptical about "penetration by foreign capital." Both parties propose to reduce expenditures for maintaining the bureaucracy. Both Kurowski and Cimoszewicz want to abolish financial restrictions with regard to enterprises. To be sure, there is a difference between them with regard to privatization. However, does anyone at all understand what privatization is supposed to be about?

So far, the SDRP is not proposing de-Communization. However, the campaign is merely beginning.

At a press conference of Labor Solidarity, Karol Modzelewski, head of its election committee, admitted that the economic program of Labor Solidarity may resemble the theses of Kurowski, and therefore the PC.

In turn, we read the following in ZYCIE WARSZAWY (26 April) in a report on a meeting between Zbigniew Bujak (RDS [Democratic-Social Movement]) with Jan Lopuszanski (ZChN [Christian National Association]): "However, it turns out that on economic issues, which prevailed in the discussion, representatives of the left-wing RDS and the right-wing ZChN presented quite similar views."

Voters do not have it easy. Actually, they should stay at home.

Could there be differences in views on the political system after all? The PC favors a strong Presidency. The Union is in favor of the parliamentary system. However, the Union has done... more for the presidential system in Poland than the PC. When the PC proposed last year that the National Assembly elect the president, the ROAD [Citizens Movement-Democratic Action] (the Union did not exist yet) objected: Elections should only be popular. A president elected by the people is stronger than the one elected by the parliament. Therefore, we have a strong president thanks to the Union, which dreams of a strong parliament.

Under the circumstances, I do not think that the parties can win voters over with competing programs. In an interview for ZYCIE GOSPODARCZE (28 July) Zbigniew Bujak said: "In our country, people, enterprises, cities, and entire regions are left to their own devices."

So what if all parties propose to build the so-called technical infrastructure in rural areas, or call for the owners of small farms to change their line of business, since it does not occur to any party that its people should go to the rural areas and explain, in some fire station, what opportunities there are to obtain credit at the nearest bank, and what is to be done in order to turn a collapsing SKR [Agricultural Circles Cooperative] into a dairy plant....

Prime Minister Bielecki mentioned in an interview for *RZECZPOSPOLITA* (5 August) an enterprise in Lodz which was doomed to die, but was brought back by a group of "several good individuals." They used "the services of interesting advisers from the chair of accounting at the University of Lodz."

It appears to me that finding such "good individuals" and "interesting advisers," and dispatching them throughout Poland, is a good thing for parties and committees to do after the election as well. The party should look for opportunities in 19th-century positive work. I was impressed when Senator Krzysztof Pawlowski, head of the party of Christian Democrats, set up a foundation that will start a school of management for local high school graduates somewhere on the other end of Poland, away from large centers. Is this not worth more than all the political games underway in party salons?

For now, the voters are like Alice in Wonderland who asks the Cheshire Cat, "Would you be so kind as to tell me which way I should go?"

The Cat responds, "This depends to a large degree on which way you would like to go."

"I do not care which way it is," answers Alice.

### **Elections Elicit Parties' Responses on Housing**

*91EP0703B Warsaw ZYCIE WARSZAWY in Polish  
30 Aug 91 p 3*

[Article by Izabella Wit-Rossowska and Marcin D. Zdorf: "The Program Campaign"]

[Text] Forthcoming parliamentary elections have provided an opportunity for a competitive clash of specific political programs. However, perhaps not a single political party or organization has yet prepared a program which responds to all or at least a majority of questions asked by voters. Few groups have managed to get through to the people with their programs. We would like to make this task easier for both politicians and voters. We will present in brief the most significant social problems on a weekly basis, outlining ways to solve them that experts from the most important groups running in the elections proposed.

### **A Way To Build**

Two years ago, a group of homeless people occupied an abandoned house at Syrena Street in Warsaw. They do not live in luxury there. They live in difficult conditions: devastated rooms and collective toilets in the corridors. During this entire period, the authorities of the gmina, Wola District, have been reluctant to take a stand on the situation of the unauthorized occupants. They have not been thrown out, but they have not been issued residence permits for the building on Syrena street either. The residents must pay three times the rent for the illegally

used apartments; they cannot make repairs, and they worry continuously about the future.

The lack of a residence permit may make life very difficult for people who have no family in Warsaw with which they could register fictitiously. One of the residents could not get a job for a long time because they did not want to hire him unless he had a permanent residence.

There is a so-called service facility in one of the blocks on John Paul II Street: 10 square meters with a wash basin and a toilet. The workers used it as a closet, and they also washed up there after work. Several months ago, a housekeeper, together with her husband and a small child, took up residence in this service facility. It is understood that she secured the agreement of the former administrative director for remodeling the premises. However, the agreement was verbal and there was no document to confirm it. The current management would like the housekeeper, whose labor contract has not been extended anyway, to leave the premises. As it is, it is not suitable for occupancy, and in addition, it is intended for other uses. The current housekeeper commutes from outside Warsaw and does not even have a place to change after work.

This woman knows that the law is not on her side, and that she will have to move out. Hers is not even as comfortable a situation as that of other "former janitors" who were given apartments because of the duties performed, and now, even if someone succeeds in evicting them, he will have to provide a replacement for their apartments. The woman in question will be left out in the cold.

It became fashionable to remodel attics in the early 1980's. Troubles with the indifferent management and the reluctant residents of buildings in which attics were located appeared at the same time. Repairing the attic necessitated the removal of the roof and made flooding in apartments situated underneath a possibility.

The homeless were running into ever more difficulties. Efforts to secure a remodeling permit took years, and at times all they could receive was a ludicrous answer: "In response to your multiple applications to remodel an attic, the District Administration informs you that an attic has been allocated to you for remodeling. At the same time, we inform you that the above decision cannot be executed because there are no attics available."

Chairman of the Union of the Homeless Roman Nowicki maintains that 1.5 million people in Poland have no apartments of their own. These are mainly young married couples who do not see any opportunity to receive their desired apartments sooner than 40 to 50 years from now. To be sure, the Ministry of Construction has developed a draft housing law, but so far it has not even been confirmed by the government.

This year, more than 62,000 apartments will be built in Poland, or almost as many as last year. However, many

fewer new investment projects have been started recently. We will feel the consequences of this several years from now.

About 400 apartments that are unfit for occupancy will have to be torn down soon because old buildings have not been repaired for a long time.

Very soon, the arrival of Poles in our country from across the eastern border may become yet another problem. Within months and years to come, between 1 million and 8 million people may migrate to Poland who should not be told that there is no room for them.

There is a shortage of lots for construction in Poland. One company wanted to build 8,000 apartments at two million zlotys per square meter. It sent offers to several dozen gminas with a request to assign construction sites. Only two responses came in, and both were negative.

Also, there is no credit. One must have assets in order to obtain a mortgage. The homeless do not have assets.

#### To Resume Communal Construction

##### Solidarity of Mazowsze Region—Wojciech Arkuszewski

A housing shortage is the main economic problem in Poland. In recent years, the state has entirely withdrawn from this sphere. Meanwhile, it is quite difficult to come up with a grassroots initiative in this field. Many people cannot afford it. In the opinion of the NSZZ Solidarity, the state has a duty to resume communal construction at least to a minimum extent.

At the same time, it is necessary to adopt legal regulations that will make it possible to provide mortgages—this is the only way to free up mass loans for construction.

#### So That Someone Will Come To Feel Responsible

##### Union of the Democratic Left—Leszek Grzybowski

To eliminate homelessness in Poland, or at least make it a marginal phenomenon rather than a large social problem, it is necessary to build apartments in numbers that provide an opportunity for each family to have an apartment, and to create such economic conditions for occupying apartments (buying and renting) that are in line with the purchasing power of the populace.

It is necessary to recognize that construction is not a decree of providence, but may instead be an important factor in overcoming the economic crisis. Countries such as Spain, Greece, and the United States have embarked on mass and cheap housing construction during the periods of greatest difficulties. It was precisely with such construction that the West German "economic miracle" began.

It is quite commonly estimated that each zloty of credits provided for housing construction ties up 3 to 4 zlotys in the market. Therefore, credits do not pose a threat to the market, and should not be a factor promoting inflation.

The assumptions of the concept of "an acceleration" in housing construction are no secret. They are found in the programs of several parties including the SDRP [Social Democrats of the Republic of Poland]. The problem is that somebody should begin to feel truly responsible for these matters.

#### Program and Personnel Changes

##### The Center Citizens Accord—Slawomir Dabrowski

Putting in order almost the entire sphere associated with housing construction, accompanied by the financial aid of the state, should be the first step. This aid should be allocated primarily for land development for housing construction and for creating such a system of mortgages which would ensure that apartments are available to the average Polish family.

A system of inexpensive communal construction financed directly from the state budget should be set up for the poorest strata. The state must provide financial aid to families who are not in a position to meet the cost of maintaining an apartment.

However, even the best legal and financial system will not resolve the dramatic housing situation unless we change the current macroeconomic policy, which smothers the economy and brings about the impoverishment of the majority of the citizens of our country. Housing construction may create favorable economic trends in Poland, but first the flywheel of the economy must be set in motion. Changes in programs and personnel are needed to this end.

#### Mortgage Notes and Evictions

##### Liberal Democratic Congress—Zdzislaw Halicki

Appropriate financial conditions should first of all be created in order to accomplish a turnaround in construction; that is, investment preferences should be introduced for contractors building not only apartments, but also hospitals, schools, and so on, and foreign capital should be given access to investment projects in Poland. For the latter condition to occur, it is necessary to issue guarantees, in the absence of which the apartment has no real value (for the one who builds it). Mortgage notes and realistically enforceable evictions are such a guarantee.

A central foundation is necessary as a source of credit for investors and funds for the construction of service facilities. This fund may be accumulated, for example, on the basis of a housing tax. This tax would be differentiated on the basis of location and the use of the premises occupied.

It is necessary to make it possible for all to update their dwellings, change roofs, remodel attics, and make so-called additions, fill-ins, and so on. We should restrict the opportunity of public committees and other such institutions, which are socialist in nature, to veto such undertakings. Owners must have an opportunity to make their decisions freely. Finally, streamlining land-use

management and establishing simple guidelines for land classification is the last element that is in need of immediate changes.

#### A Way to Overcome the Crisis

##### Catholic Election Action—Henryk Goryszewski

Tolerating a state of affairs in which people have no place to live is morally reprehensible. It amounts to destroying a value as essential as the family.

The effectiveness of a political system and its durability depend on whether society is happy with the system and conditions in which it lives. Therefore, we should begin to build more apartments. However, where are we going to get money for this?

Funds secured by selling privatized assets, which may be earmarked for the Construction Development Fund, may be one of the sources. An active policy of the state in the field of construction may be one of the ways of overcoming the crisis. Prospects for one's own apartment will encourage people to save. At this point, given the prospect of waiting 40 to 50 years, it does not make sense to do so. In addition, construction will boost the demand for materials and services. In turn, this will ensure jobs for a certain number of people, invigorate industry, and reduce unemployment.

#### The Commercialization of the Housing Sphere

##### The Democratic Union—Krzysztof Snopinski

We agree that apartments should be a market commodity. However, everyone is entitled to a dwelling.

Commercializing the housing sphere is the basic condition for ensuring an apartment for everyone. The construction of rental apartments should become a generally profitable business which attracts spare money in the market. To this end, it is necessary to eliminate all administrative restrictions which apply to the construction of houses and the acquisition of land for construction.

It is also essential that mortgages be developed. This will not happen without the involvement of the state budget. A gradual shift of state subsidies used as additional payments for the upkeep of apartments to new construction is the first source of funds. Foreign funds should also be earmarked for setting mortgages in motion. A chain of banks also needs to be created, which will take between one and two years.

We will have to considerably increase the level of savings for an apartment. For example, a downpayment of about 30 percent will have to be accumulated in order to obtain a mortgage. For this to become possible, we should partially revalue our housing deposits beyond the already available guaranteed bonuses, and relax the guidelines for a tax on above-the-plan growth of remunerations in order to allocate moneys exempt from this

tax to housing deposits, as well as use preferences in the income tax by virtue of building or repairing an apartment.

#### Availability of Iranian Natural Resources Noted

*91EP0674A Warsaw RYNKI ZAGRANICZNE in Polish No 92, 1 Aug 91 p 8*

[Article by Teresa Radziminska: "Iran Is a Worthy Business Partner"]

[Excerpts] There is no doubt that the most important task currently before our policymakers concerns bringing Poland quickly into the EC and under advantageous conditions. This also includes the somewhat long-term perspective of attaining full membership in the community. This fact, as well as the frequent emphasis on the desire for establishing good political and economic relations with other industrial nations, including the Soviet Union and those Central East European countries in close proximity to us, should not obscure the need for simultaneous and closer cooperation with more distant and economically weaker members of the international community. This discussion concerns the developing nations that in the future can guarantee us the raw materials needed by our economy, and can become important markets for our industrial exports. Iran is clearly worthy of attention in this respect. [passage omitted]

#### What Iran Buys

It would be much easier to list what Iran does not buy abroad. Mainly, it does not import crude oil, whose extraction totals 3.2 million barrels per day and which represents the country's chief export. Iran also does not need to look for foreign supplies of natural gas, as well as chromium ore and zinc, since nature has provided it with rich deposits of both. Many other raw materials and semifinished goods as well as capital goods and large amounts of food are, however, being imported. Although Iranian agriculture has been developing in recent years at a relatively rapid pace, it is not capable of feeding the also rapidly increasing population. Therefore, Iran must allocate approximately 5 billion U.S. dollars annually for food purchases. Wheat, beef, sugar, vegetable oils, potatoes, butter, and mutton are among its chief imports.

A similar amount of hard currency is spent on purchases of machinery and equipment. The economic development envisioned by the plan would not be possible without a broad investment program that includes the construction of a network of electrical plants, improving efficiency in the refining industry, modernization and development of transmission lines, and crude oil and natural gas terminals. The reconstruction of the infrastructure destroyed during the war and its modernization and enrichment requires seeking a foreign offer in the area of construction and road and rail equipment, etc. Iran also needs various manufactured goods, for which it has allocated about 4.5 billion U.S. dollars. This includes cement, cable, plywood, iron and steel, and chemicals. A similarly important import position is military equipment, mainly state-of-the-art technology.

A glance at Polish-Iranian trade should suffice to show us that we are utilizing our partner's market to a minimal degree. In 1990 we exported approximately 56.2 million U.S. dollars' worth of goods totaling approximately 25 percent of Iranian imports. Heavy and construction equipment (approximately 30 percent of total exports), machine tools, mining equipment, and fishing ships constitute the most important portion of our exports. Approximately 600 Polish specialists are working in Iran on construction-assembly projects concluded by Budimex, Mostostal-Eksport, Elektromontaz, Polservice, and Bumar. Last year, because of third-party countries' efforts, approximately 46 million U.S. dollars' worth of steel rods and sections were exported to Iran.

A growth in our sales to Iran, apparent for several years, is also occurring this year. This is manifested by data for the first five months, despite the departure from a clearing account system to a hard currency one. These are, however, still very modest increases.

On the other hand, crude oil almost dominates our imports from the Islamic Republic. Last year we imported 820,000 tons of oil totaling 177.3 billion U.S. dollars, during which time all our purchases totaled 178.5 billion U.S. dollars. This year CIECH [Import-Export Center for Chemicals and Chemical Equipment] is planning to purchase 2 to 3 million tons of oil in Iran (in accordance with an October 1990 agreement—it has a guaranteed option); a portion of which has already reached our refineries.

#### What's Next?

Iran's natural resources indisputably make it attractive as a supply source for Poland. Director Andrzej Majkowski of the Ministry of Foreign Affairs has noted that we will be able to buy as much oil in Iran as we want. Its quality is good and prices are no different than those on the world market. In addition, Iran also offers us natural gas, supplies of which are considered to be the world's second largest after the Soviet Union. Our imports can be obtained either from the USSR or, what appears to be more interesting, by utilizing the planned pipeline that will run through Turkey, Bulgaria, and Yugoslavia to West Europe. This second option would necessitate the construction of a suitable branch pipeline to Poland and a definite capital investment on our part in this undertaking. This is, however, worthy of consideration as an alternative with regard to eventual future natural gas deliveries from Algeria.

In order to be able to buy oil and gas from Iran for hard currency we must increase our exports to Iran significantly. According to Kazimierz Zuk, a Ministry of Foreign Cooperation specialist on the Iranian market, this represents our bargaining trump card. The transformation to hard currency prompts us to misgivings that our current modest exports to Iran may decrease even further in the future. Frequently, our Iranian partners request credit while making capital goods purchases; however, our firms cannot really afford this based on the

current interest rates in effect in Poland. One solution would be to have these transactions financed by foreign banks, something that in reality is difficult to achieve.

During his recent visit to Teheran, Minister Krzysztof Skubiszewski used the argument of lack of stability in Polish-Iranian trade. Because of decreased Soviet demand, Polish factories have much to offer Iran. Often, they can basically adapt their production to Iran's needs. Iran's Minister of Heavy Industry Mohamad Haddi Nejad Hosseiniyan concluded very interesting discussions on the subject during his June visit to Warsaw. Visiting at the invitation of our Minister of Industry Andrzej Zawislak, the Iranian minister acquainted himself with the offer presented by our colossal state enterprises; among them: Stalowa Wola, Warynski, the Gdansk Shipyard, and others. The most interesting areas for cooperation acknowledged at the time were shipbuilding, construction machinery, and machine tools. Both sides are convinced that they should not limit themselves to "pure trade" but rather turn toward establishing cooperative agreements. An interministerial working committee for industrial cooperation has been appointed and will be functioning shortly.

The involvement by our government and administration in the development of relations with Iran is very important for Polish firms, and at the same time, at least in the near future, it is inevitable. Because of the fact that there still exists a large degree of centralization of economic policy in Poland, many matters will have to be taken care of, or at least settled at the central government level. There is hope that with time contacts between enterprises will be carried out directly. For now, however, small private Polish firms do not have an advantage in Iran; problems start as soon as one attempts to obtain an Iranian visa, which can take up to three months. As a consolation, we can add that there are no problems in going to Teheran for the annual trade fair. Perhaps we should take advantage of this opportunity?

#### Development of Light Industry Discussed

*91EP0694A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 22 Aug 91 p III*

[Interview with Prof. Janusz Szosland, textile engineer and noted expert on textile industry, by Marian Strzelecki; place and date not given: "We Must Decide What We Want; The Textile Industry Is Waiting for a Strategy"]

[Text] An increasing number of plants in Lodz are on the brink of bankruptcy. This is the case not only in the textile industry, which is dominant in that city. Professor Janusz Szosland, a textile specialist and a prominent expert on the textile industry, shares with us his reflections on the topic.

[Strzelecki] Is it possible to preserve light industry?

[Szosland] It is appropriate to refer to our entire industry in this regard rather than to approach the problem

selectively. In the first quarter, virtually the entire machine building industry collapsed. Other industries have collapsed, or will collapse soon, and this is also the case with the textile industry. This begs the following question: Do we have any strategy of economic development in Poland? I believe that we do not have such a program in Poland. All actions are haphazard, despite the fact that the concept of privatization is indisputable.

[Strzelecki] Will the privatization of industry occur before it collapses?

[Szosland] I do not think so. For our domestic industry, the dollar exchange rate still makes imports, rather than exports, profitable. This makes Poland a market for sales rather than an exporter. I believe that the lack of a development concept for industry, high tax loads, and the attendant aging of the pool of equipment may doom our industry to death. If this process continues, it will be increasingly difficult to be optimistic. Proceeds to the budget from state enterprises account for more than 90 percent, whereas those from private enterprises just a few percent. In addition, there is justified apprehension that in many cases privatization is associated with an inefficient manner of asset management.

[Strzelecki] However, let us go back to the textile industry.

[Szosland] I have been a great champion of this industry. In Poland, it has been proven over the years that it is worthwhile to think about developing this industry.

[Strzelecki] Why?

[Szosland] This industry has many advantages. First, its energy intensiveness is low. Second, its basic branches of production (spinning, weaving, knitting, and the garment industry) do not affect environmental protection. Third, it is a very flexible industry. For example, if the large-scale automotive industry collapses, modernizing it again would take many years. In our case, several months will be enough, provided there are adequate markets for sales. In addition, our textile products and garments are competitive in the world from the point of view of their quality and technical standards. Therefore, there are many points of departure which indicate that it makes sense to preserve the textile industry in Poland.

[Strzelecki] In your opinion, what are the root causes of the recession, besides the tax sphere?

[Szosland] It is also a sudden breakdown of our exports to the Soviet Union. This phenomenon cannot be overcome within a short period of time.

[Strzelecki] After the unification of Germany, it appears that the capital of western lands will be invested into the eastern segment, and the industry of these lands will develop.

[Szosland] However, it turned out that the entire industry of the world suffers from the lack of markets. At present, one has to fight for markets. Since a market for

sales with no customs and transportation barriers suddenly opened to the capital of the western lands of the FRG, interest has increased in selling their goods rather than investing considerable capital in the east.

[Strzelecki] Therefore, does it make sense to expect that someone will invest considerable capital in Poland, in order to create a competitor for himself?

[Szosland] So far, all actions have not been in the interest of developing our industry. The Lodz enterprise Rena-Kord is a case in point. The economic standing of the factory is poor, despite the fact that their weaving shop has the most modern looms in Europe. Therefore, there are industrial sectors whose equipment is quite good, but the lack of a strategy has caused many enterprises to founder. The following notion has emerged: "How are we to survive?" This is a very dangerous phenomenon for the industry. The pool of equipment is depreciating; new investment projects are not underway; good professionals are leaving the factories. This is a very alarming situation.

[Strzelecki] They now say that "seamstresses are the pillar of Poland."

[Szosland] This is a sign of failure. Enterprises are entirely isolated from one another, which is a situation rather uncommon in the world. For example, the Union of Cotton Fabric Producers exists in the Federal Republic of Germany. In this instance, I do not mean creating something akin to associations or conglomerates. We need an organization implementing a certain policy in a given industry, promoting its products, and facilitating necessary contacts.

The lack of such an organization brings unfavorable results. Here is an example. More than a year and a half ago, representatives of large capital overseeing the entire textile industry in Hong Kong approached the minister of industry at the time with an offer to set up in our country large-scale textile manufacturing for exports. A letter of intent announced that they would give \$100 million to get the enterprise started, and would subsequently guarantee \$3 billion annually in exports for 10 years. Our minister did not treat the offer seriously. I understand that it is now being placed in other countries of East Europe. Meanwhile, accepting the offer would have meant overcoming export restrictions in effect for our exports to individual countries of West Europe.

[Strzelecki] Can the textile industry be an industry of highly developed countries?

[Szosland] It can. In the American market, the textile industry is second (after the automotive industry). Italy is the second-largest exporter of textile products in the world (next to China). Italy exports \$14 billion worth of such products a year. Meanwhile, their raw material base is similar to ours. This industry may be developed in at least three directions: synthetic fibers, textile equipment, and technologies.

[Strzelecki] At present, only the garment industry is doing well in Poland.

[Szosland] This is the result of taking in so-called "assembly" from the West. This phenomenon is due to simple reasons. Spinning, weaving, knitting, and finishing are large-scale industrial processes; they account for merely a small fraction of the price of a finished garment, for example, a man's suit. In contrast, in the undergarment industry they account for between 25 and 30 percent of the total price. These disproportions are due to the technical standards of the individual stages of production. Despite modern machines and computerization, sewing still remains at the level of a workshop: one person—one machine. This is why the West offers such jobs to Poland. The high technical culture of the textile industry will not develop on the basis of garment enterprises.

[Strzelecki] Therefore, what is going to happen in several years?

[Szosland] It will be bad. Experimental facilities and design bureaus are being closed. In this manner, we are forsaking the creative activities of engineers. Three years from now, it will be impossible to rebuild the requisite industrial support system.

If certain segments of an enterprise are not upgraded every year, the factory falls short of a certain technical standard, and catching up with Europe will then be very difficult.

We should evaluate and decide which branch is capable of producing goods to world standards and then provide aid to this branch or factory.

**Dilemma Concerning Functioning of Federal Assembly**

91BA1139B Belgrade *BORBA* in Serbo-Croatian  
6 Sep 91 p 15

[Article by Vojislav Vignjevic: "A Rashomoniad of the Federal Parliament: They Would, but They Do Not Know How"]

[Text] The Federal Parliament should continue to function. This is the statement—who knows how many to this effect there have been—of the leadership team of one of the two chambers—the Federal Chamber. It was made the day before yesterday, but we can confidently include it among the earlier and similar failures to get the Yugoslav Assembly out of a blockade that has lasted several months. After all, between that "should operate" and the hope that it will begin to operate there gapes the open question of—how? How—when the war is still going on and when on the eve of the brief and dirty skirmish in Slovenia the delegates from Slovenia and neighboring Croatia, so they say, left the chambers and offices of the Assembly once and for all?

For some people, there is no dilemma. Legalize the situation that exists and operate on the principle of majority decisionmaking with the remaining delegates. This position has been persistently and firmly taken for quite a long time now by the Serbian and Montenegrin delegates. They also say that the new arrangement of the Federal Chamber would be in the spirit of the Constitution. Translated to the terrain of practical politics, acceptance of such a position would make it possible to legalize a truncated chamber or truncated assembly or truncated Yugoslavia by the "back door."

Aware of those tendencies, which among other things would in the general legal and governmental chaos be conducive to the surreptitious passage of many more important decisions concerning the agreement on the future of nationalities in these parts of Yugoslavia, the "other side" is not accepting this kind of "formula." The Bosnia-Hercegovina and Macedonian delegates and Albanian delegates from Kosovo say that they will not obstruct proceedings, much less complicate matters by leaving the Parliament, but neither will they consent to the "formula" offered. Following this standoff, it was reiterated in the meeting that was held that they would continue to insist on the "return" of the Slovene and Croatian delegates who had "fled," and that they would make efforts to obtain a quorum of the Federal Chamber. And thus the circle was closed (once again).

In the meantime, the tragicomic tale of the Yugoslav Assembly continues to become more complicated. Thus, some of its leaders say that it does not exist. It is true that the president does formally attend the meetings of the collective chief of state, but he does not actually have the right to convene sessions of the chambers. Another group, however, says that the Assembly does exist until it is formally dissolved, that is, until adoption of a constitutional enactment that would "create something else."

This line of argument is accompanied by another—should nonrecognition of the Federal Chamber become official, its executive body, the FEC [Federal Executive Council], would automatically be extinguished as well. Yugoslavia would no longer figure in international economic, legal, and diplomatic affairs. Communication would take place exclusively at the level of the republic states.

To the rather lengthy list of quandaries and confusion that prevail concerning the Yugoslav Parliament, one might also add the recent statement by Mesic, president of the collective chief of state, to the effect that the departure of representatives of Croatia and Slovenia took from the Assembly its legitimacy and that there is nothing for the Federal Government to do but to "devolve" to the republics in its activities.... And then there is the document published the day before yesterday of the commission of the Presidency concerning the proposal of a political agreement concerning Yugoslavia's future, the rather controversial draft that offers a "mixed marriage" between federalists or confederalists and sovereign Yugo-states. And a new task that follows from this (to be sure, still not official) model "tailored" by Tupurkovski, Drnovsek, and Jovic, intended for the Assembly and the FEC: to adopt a constitutional law by the end of October and a law on demarcation by the end of December, for the conglomerate of projected models of states to take life.

The constitutional law (not in the form offered, to be sure) is nothing new. When they saw that the idea of federal elections did not pass, a group of delegates from Serbia renewed a proposal that actually was related to the "remainder of Yugoslavia." It should be remembered, to refresh our recollection, that it was the republics of Serbia and Slovenia that for nearly a year dragged their feet on federal elections by refusing to adopt Amendment 65 in the FEC package of measures to continue the reforms (annulled by the war, the ethnic conflicts, and the exchange of fire by Yugo-politicians). Serbia, calculating presumably that it was "one minute to midnight," nevertheless did accept the idea of federal elections, but it was obviously late. The issue was raised once again by the increasingly vigorous opposition and its attempts, either by rallying in front of the parliament building, or through dialogues begun among the heads of the some 30 parliamentary groups from all the republic assemblies, to fill the federal power vacuum: but with the mechanism of the election and the contours of any new parliament still imprecisely defined.

In the end, it will be Europe that (once again) in this domestic Rashomoniad over the Assembly will have the last word, as it has about everything else. With how much success it remains to be seen. This is certainly an issue which they will not skirt around at the Hague, but we should not forget the fresh and bad experience with the Brioni Declaration, which stated among other things that the bodies and agencies of the Federal state must function during the moratorium and negotiations concerning the country's future.

Nothing (of course) came of that. And presumably the legal experts of the European Community will also be bearing in mind that there is probably little on which one can believe Yugo-politicians when they propose legal solutions. God help them, at least when it comes to the Federal Parliament.

**New Model for Yugoslavia Term Utopian**

*91BA1139A Belgrade BORBA in Serbo-Croatian  
6 Sep 91 p 14*

[Article by Momcilo Djordovic: "The Land of Utopia"]

[Text] Can peace be won when the makers of war and the authors of utopias are on the stage, especially if they function in a fluid kind of coparticipation? After all, the one group (the utopists) is always late, while the others are always out ahead (the warmongers), and the tardy ones help the others to take the lead, and, of course, vice versa. So now once again we have been given a "proposed political agreement" on the future of a country which is receding further and further into the past. This time the utopia was authored by three doctors (Dr. Tupurkovski, Dr. Drnovsek, and Dr. Jovic), members of what is in political terms the world's feeblest chief of state, yet it is just three months since we were offered with great fanfare the Izetbegovic-Gligorov platform, again concerning the future of Yugoslavia. These games played with the future are cheap alibis for those who are incapable of responding to the complications of the passing day, whose "geography" changes essentially with each new day, for those who have ready responses to visions, but not to what is happening beneath the windows of their studies. Various communist commissions have for years heaped such "drafts" and "preliminary drafts," "platforms," and "long-range programs" on us, simulating real policy and fleeing from awkward reality. Is it arrogance or just a sign of powerlessness that the response to the rain of bullets and "carpets" of mortar shells is to "propose a political agreement," which, to make matters still worse, can only open the door to new conflicts? Finally, can that collective chief of state pacify anyone when it itself is utterly torn by divergent political interests?

The Izetbegovic-Gligorov platform and the proposal by members of the SFRY Presidency are alike in lagging behind events. Both proposals might have been seriously reflected on some three or even two years ago. The moment the HDZ [Croatian Democratic Community] created its own party-controlled army, and Slovenia decided not to pay customs collections into the Federal treasury, an alliance of Yugoslav republics as a governmental community became impossible. This newest proposal, that would satisfy the Serbian federal interest and Slovenian-Croat sovereignty, is unfeasible, because they are precisely the generators of the present war. Institutionalizing that proposal would be to institutionalize perpetual warfare. It is not likely, after all, that Croatia would consent to having "its" Serbs remain in Yugoslavia and take a good piece of territory with them (it is

no longer a question of Krajina, but also of Baranja and a portion of Slavonia), especially when the increasingly strong current of HDZ hawks are dreaming about Srem and about Hercegovina as Croatian territory. Likewise, Serbia would not reconcile itself to the Croatian and Bosnian Serbs remaining outside Yugoslavia, nor would the Muslims, much less the Albanians, be agreeable to remaining in that Yugoslavia without Croats and Slovenes. Or perhaps Tudjman would in fact consent to that proposal, if Dr. Borisav Jovic's assessment is right that his policy has suffered disastrous defeat? But that does not mean that the HDZ will renounce its ambitions and will not make of Tudjman a mere passing episode.

How unrealistic this proposal is can also be seen from the deadline for its implementation—a constitutional law by 31 October and demarcation of borders by 31 December. Even after generations, peasants are unable to draw the line between two fields, so then, how is one to divide up and make several states from one country in two or three months, when we know that determination of those borders cannot take place without involvement of European interests and spheres of interest of world powers?

The most recent proposal is somewhat better than the Izetbegovic-Gligorov platform, because it does not speak vaguely about an "alliance of states," referring thereby to all the Yugoslav republics. This proposal allows that that possible alliance might be concluded by only four states—Croatia, Slovenia, Macedonia, and Yugoslavia—and it thereby reveals the actual balance of power and the Serbian map (which Slovenia and Macedonia are ready to agree to, because they get untruncated sovereignty), as well as the meaning of Slobodan Milosevic's promise on signing the cease-fire agreement that "Yugoslavia will exist." When this proposal is debated in the SFRY Presidency, Stjepan Mesic will be against, because no Croat nationalist could reconcile himself to having Serbia, of which he has dreamed in the borders of the Belgrade Pashaluk, extending to Zagreb's doorstep. And grotesquely, even though for long years the Serbs and Croats will not be able to live together, both will take pains to be as close as possible to one another.

The best thing is for the most recent proposal concerning the future to remain just another of the utopias (and surely not the last), rather than to become the scenario for war. Recognition and acknowledgment of interests is the direction of disentanglement, but not the final solution.

**Stormy Debates at Presidency Meeting Reported**

*91BA1108A Zagreb VJESNIK in Serbo-Croatian  
26, 27 Aug 91*

[“Abridged” transcript in two parts of the expanded meeting of the SFRY Presidency held in Belgrade on Tuesday, 20 August: “Branko Kostic Would ‘Exchange’ Populations”]

[26 Aug p 7]

[Text] We are publishing the transcript of the expanded meeting of the SFRY Presidency held on Tuesday, 20 August, in Belgrade. The discussion at that meeting concerned the procedure to be followed in resolving the crisis in Yugoslavia. The members of the Presidency achieved agreement at that time that four principles should be honored in seeking a solution. The first is the respect for the right of every people to self-determination, including the right to secession and formation of associations, and in that connection "any change in external and internal borders is unacceptable by unilateral act and the use of force, but may occur exclusively on the basis of the right of a people to self-determination through a democratic procedure and legally."

The second principle is "respect for the democratically expressed will of every Yugoslav nationality and republic to achieve its status in keeping with its own specific and real interests."

The third is "the principle of equality, which presupposes the equality of all options and precludes imposition of anyone else's will or the use of force," and the fourth is the principle of legality. "An essential prerequisite of an agreement on Yugoslavia's future is an immediate and unconditional ceasefire in the Republic of Croatia," the Presidency concluded, but that prerequisite has not been met. We are publishing a portion of the transcript from that meeting so that the reader can see more clearly what solutions are favored by the various parties and what arguments and methods they use in this connection.

**Stjepan Mesic:** If I might just put a question, more by way of a retort, because I have carefully followed Mr. Kostic's speech, particularly with respect to the Serbs in Croatia, and I did not notice in what manner we were to arrive at the position and opinion of Croats in Montenegro and Croats in Vojvodina, that is, in Serbia? Likewise, I did not notice in what manner we would get the opinion? After all, what is being proposed to Croatia—I take for granted the correctness of Mr. Kostic's speech—everything he is demanding for Croatia he is clearly demanding for the other republics as well. Even though he did suggest certain specific features. So it would be good to know in what way we are to arrive at the opinion of Muslims in Serbia, in the Sanjak? And likewise in what way we will obtain the opinion of Hungarians and Albanians? That is, the Federal Constitution, as you know, nowhere envisages ethnic minorities. And what usually and often is used here, this time I did not notice it, but often "minorities" and "nationalities" are used, but the Constitution, I must tell you, did not envisage that.

That would interest me, because those peoples do not live in a vacuum either. They also live on particular territories. So, just as there exist others who live in Croatia on particular territories, so there are Croats and

Muslims and Albanians and Hungarians living on other territories. This time we have said—some have conducted a referendum, others a plebiscite, still others are preparing a referendum—but here we have someone speaking in someone else's name. After all, he knows in advance what the citizens of that republic are thinking. Well, once in the Presidium, I am thinking of its expanded composition, we agreed that we would all conduct a referendum, that we would obtain the opinion of the citizens of every republic. Then we can converse as equals.

I think that we are confusing apples and pears. Which can be done, but all you get is preserves.

Thank you very much.

#### "Representatives of the EC Do Not Understand"

**Branko Kostic:** Well, let me reply immediately in that connection.

If we agree to verify the readiness of members of every nationality in every part of Yugoslavia, to verify their readiness, their commitment, then I could say in advance, but I am expressing my own opinion, we might assume the obligation to organize a separate vote for all the Croats who live in Montenegro, if, say, Croatia can organize one for all those who are Montenegrins in Zagreb or for all the Serbs in Zagreb, where there are twice as many, to be specific, as there are, for example, in SAO [Serbian Autonomous Oblast] Krajina. They organize such a referendum and that kind of separate vote, but I think that that orientation or that solution is absurd. When I speak about the right of every people to self-determination, my point of departure is above all those territories where a particular people represent an ethnic majority in a particular area. We have, if I am not mistaken, about 600,000 Serbs in Croatia, but in Zagreb we have a rather large ethnic group of Serbs, and so on, but I think it is absurd to expect a referendum to be organized there and for those Serbs in Zagreb to vote on this. We have a very small number of members of the Croatian nationality in Montenegro; however, if that principle is to apply equally to all, we could quite freely assume that responsibility and obligation to organize a vote of members of every nationality.

Second, I think that Mr. Mesic is significantly confusing certain things here when it comes to nationalities and minorities, and I do not preclude the possibility that even the responsible representatives of the European Community have obtained a certain misunderstanding of this matter from that confusion of terms. Our Constitution very clearly states which are the nationalities making up Yugoslavia, and that Constitution states very clearly that each of those nationalities has equal rights regardless of where they live. Accordingly, I agree with that, I told this to the gentlemen from the European Community when we talked, and the meanings of these two terms must be distinguished if we want to take as our point of departure that we are a sovereign state, that we have our own Constitution, and from that follow certain

obligations which must be respected both by the European Community and by all other entities.

Even though the Croats represent 18 percent of the total population in Bosnia-Hercegovina, no one today can assume that the Croatian nationality in Bosnia-Hercegovina constitutes an ethnic minority. That Croatian people must have the same rights as the Muslims and Serbs regardless of the numerical composition of Muslims in Bosnia or the numerical composition of Serbs in Bosnia. Accordingly, we ought not, at least not at this level, confuse the term "nationality" and the term "ethnic minority," which are things we know for certain, and in the end some people know this far better than I do, that the term "narodnost" actually is a synonym of ethnic minority. We cannot treat in the same way the Serbs in Croatia and the Croats in Bosnia or the Muslims in Serbia, we cannot treat them in the same way as we treat Albanians, Hungarians, Italians, and others who constitute ethnic minorities. Thank you.

**Stjepan Mesic:** Thank you!

#### Is a Resettlement Possible?

**Vasil Tupurkovski:** I would also like to put a question to Branko, although this perhaps will not generate the most productive work today, but so that we understand the entire concept, because his exposition was rather complex. What, then, would be the status of the Serbs in Zagreb?

**Branko Kostic:** I have nothing whatsoever to say about that idea and that alternative, nor am I ready to reflect on it. It is simply that I think it is absurd to put the question that way, but I mentioned that in my answer because Mr. Mesic asked what I meant and what I think about the Croats in Montenegro?

**Stjepan Mesic:** In Vojvodina.

**Vasil Tupurkovski:** No, I do not think it is absurd at all, because if the idea is for this republic to disassociate itself from Yugoslavia, which you recognize as the right of a people to self-determination, and if I understand it consistently, this means the right of the Serbian nationality in Croatia to disassociate itself from Croatia, again on the basis of their fundamental and inherent right to self-determination. What happens then with such a large grouping of citizens of Serbian nationality? That is the fundamental question. We can talk about others, this has very great importance if we are to clear up this concept of yours which you have expounded in a very complex way; nevertheless, it is no accident that we are discussing this.

**Branko Kostic:** If I might just say this, in the course of the talks which are to come, if we accept certain principles, I do not preclude the possibility that as a result of those agreements there would be a consultation of the will and opinion of every nationality and within certain parts there might even be an exchange of populations; that is, I do not preclude this as a possibility. I think that even this is more intelligent than having constant tensions

between neighbors even tomorrow and to have constant neuralgic points and problems which are ethnically based, but I do not preclude even that as a possibility.

In all of this, I have not, of course, found it necessary to say certain things I have spoken about earlier and had occasion to speak about earlier when I held the post now held by Momir Bulatovic. When I had occasion to say that it has been my conviction from the very outset that it is the most important interest and only interest of all the nationalities in Yugoslavia to preserve this Yugoslavia the way it is today, but there is no need to try to persuade people: I am referring to Yugoslavia within its present boundaries, and that that idea and that reflection would quite certainly eliminate even certain major disputes that we now have and that are related to the question of the internal commitments of the various nationalities in the various sections, and so on, because that kind of unified state could guarantee equal rights; that is, as a federal state, but as a federal state which exists as a state in international law, it could guarantee equal rights to members of all the nationalities regardless of whether they live in Slovenia, or Macedonia, in Croatia, Serbia, or Montenegro, or in Bosnia. However, I did not find it necessary to speak about that because the attempts, the ideas, and the reflections about Yugoslavia remaining in its present borders have yielded such bad results that now I simply cannot think about the worthwhile purpose of going back to that topic.

**Borisav Jovic:** I would like to say a few words. I think we have already entered a phase in which there is no longer any point in delivering speeches to one another and trying to persuade one another as to what is intelligent and beneficial for the nationalities of Yugoslavia; in this phase, there are still people from Europe who do not understand why we are taking the state apart, but it is obvious that this is no longer productive among ourselves, regardless of our individual opinions. Accordingly, we have already entered a phase in which everyone has expected and now expects us to be very practical and to avoid any further developments and disastrous events, regardless of whether those solutions will in the future prove in practice to have been intelligent or not.

[Box, p 7]

#### Who Is Bothered by the European Observers

**Franjo Tudjman:** And then I would like the communication to state that I, as president of the Republic of Croatia, called for European observers to be involved in overseeing observance of the peace and the cease-fire.

**Borisav Jovic:** Can anyone have the communication include anything he likes?

**Alija Izetbegovic:** I second the motion for them to be involved. There is an indispensable need for such observers to be involved in overseeing the truce. Who has a problem with that? After all, these people will not

be waging war there. Rather, they will attempt to help us to ascertain whether there is peace or not. Who has a problem with that?

**Jugoslav Kostic:** Let the state commission make the proposal to the Presidency and the Presidency make its decision.

**Alija Izetbegovic:** That is another matter.

**Slobodan Milosevic:** The Presidency can decide that.

**Borisav Jovic:** All the suggestions can be made to us, but we have the power to decide.

**Franjo Tudjman:** But in this communication, we would fight over that. And accordingly we propose, here are two republic presidents in favor of that being included.

**Borisav Jovic:** We will take into account what you have proposed, but in the communication everyone can set forth the opinion which he has expressed but which was not adopted.

**Stjepan Mesic:** Just because you have made a concession to him, do not think he will make one to you.

**Borisav Jovic:** So what now? There have been many proposals which are not adopted. Am I supposed to ask for everything I have said to be written down and published?

**Branko Kostic:** The European observers will be no help to us unless both sides which are involved in the military conflict today show at least a minimum of readiness to respect the decision we have adopted. One readiness is the cease-fire, and another readiness, another step, is separation of the sides to a distance of 800 meters, 400 and 400 meters. Only now have we sent observers, just two days ago—observer teams. To three points. Accordingly, European observers will do us no good unless both sides show a readiness and goodwill to respect that decision and those steps.

**Franjo Tudjman:** Which two sides? Who is shooting?

**Branko Kostic:** The two sides involved in the conflict. If we close our eyes to that, then we will not be able to solve the problem.

**Alija Izetbegovic:** As soon as a conflict starts, there are two sides. But the point is that the altogether certain presence of foreigners and the presence of a large number of observers does in a way discourage a potential attacker. Accordingly, it makes it possible to ascertain the truth.

**Petar Gracanin:** Our observers have already been fired upon in the afternoon. Which means that we should not bring in foreign ones.

[Box, p 7]

**They Have Already Decided and Rendered Judgment....**

**Franjo Tudjman:** What remains, then, if we have adopted this—this formulation. What remains is my proposal to establish effective monitoring of maintenance of the peace, including observers of the European Community.

**Borisav Jovic:** We have already decided that.

**Franjo Tudjman:** If you have decided, so much the better.

**Stjepan Mesic:** They decided not to call them. That is what he wants to tell you, that they are not invited.

**Borisav Jovic:** We have decided that.

**Stjepan Mesic:** So I have learned....

[27 Aug p 9]

[Text] This is the second installment of selected portions of the transcript from the meeting of the SFRY Presidency last Tuesday, which is interesting for several reasons. In this text, the reader will meet Slobodan Milosevic, who, all of a sudden and for this occasion, has become a "legitimist." In this fashion: Let us let the Federal Parliament function a bit at this point (which Serbia itself has been attacking!), let us recognize a little the 1974 Constitution (which was destroyed precisely by Serbia's moves!), so that Milosevic might fully realize his objective through this kind of "legitimacy" of Yugoslavia.

In order to conceal his intentions, in this meeting of the Presidency Milosevic presented the thesis: If Croatia has the right to secede from Yugoslavia on the basis of self-determination, then the Serbs in Croatia have the right to secede from Croatia, and let the Croats in Bosnia-Hercegovina secede, Branko Kostic was to add.... But the contradictions are obvious: It never occurs to Milosevic, for example, to recognize the right to secession and self-determination of the Sanjak, Kosovo.... A bit of the institutional, a bit of the "extrainstitutional," a bit of the logical, a bit more of the illogical.

**Slobodan Milosevic:** How will it ever be possible to resolve the Yugoslav crisis peacefully and by democratic means if the functioning of Yugoslav institutions is disputed? We are sitting here at this table because we live in Yugoslavia, because Yugoslavia is that cohesive factor which is the basis both for this discussion of ours and also for the search for a solution. How can one even conceive it; if someone knows the answer, then let them tell me, how do they imagine a government can function without a parliament, and how is the parliament to function(...)? How can the parliament be dissolved, and yet the government be legal? What kind of mandate does it have? Has there been a practical example of a state that functioned in that fashion, or have we simply in our blindness, in the crisis we have found ourselves in, failed to see that this is not a road that guarantees a peaceful and democratic solution?

Tudjman has spoken about this...taking the legitimacy and integrity of the republics as the point of departure. That is precisely the problem. It is a question of whether to take Yugoslavia's legitimacy and integrity as the point of departure, and then, in view of the right to self-determination, possibly ascertain in what manner to realize the will of a nationality to exercise that right in a manner which must be regulated in advance in that Yugoslavia: Or to assume only the legitimacy and integrity of the republics, and in that way observe—and this is now a priori—that Yugoslavia does not exist and that its disintegration is an accomplished fact, and that we are sitting here in some status as representatives of independent and sovereign states which are entering into agreement as to whether and to what degree they will mutually adopt certain documents and agreements concerning some possible association(...).

**"That Is Our Backward Thinking"**

I am simply putting the questions which need to be cleared up if we really want to work constructively. Vasil has introduced a category here which was not clear to me, what is a "low-profile and low-intensity integration"? Today, even the European Community is not a "low-profile and low-intensity" community.

**Vasil Tupurkovski:** There is also a "zero" integration—that is what we are at this moment.

**Slobodan Milosevic:** That is the point. Why would we first carry out a disintegration of Yugoslavia, a liquidation of Yugoslavia, to get to a situation of "zero" intensity(...)?

That is our backward thinking, from the time when there was so much experimenting done in this country that we think even now that we can go on experimenting with the destinies and lives of people and nationalities by imagining some kind of "vacuum," some state of complete parting of the ways, whence now we are all supposed to start to construct something...as though we can play with the destinies of the people and citizens of this country with 23 million.

**Borisav Jovic:** (...) Accordingly, let us be altogether clear—if we want to take the thing to its logical conclusion, we must accept the functioning of the Yugoslav Assembly and Government.

Now let me go back to the question of the moratorium. If we want to give it any significance, then let us do it, and I think that we must. If we have all accepted the three-month moratorium, so that we can solve our political problems, I must say again that the purpose of this is not so that those decisions of Croatia and Slovenia would be honored after that moratorium expires; nothing is valid from the standpoint of the Yugoslav Constitution until we solve the political problem. And if we are to arrive at something that is valid, then, we must jointly respect that state of affairs during the moratorium and go back to respecting the validity of Yugoslavia's Constitution and constitutional institutions.

**Franjo Tudjman:** What Messrs. Milosevic and Jovic have been saying now takes us back to the first moments of the talk about solving the Yugoslav crisis. What happened to the original sovereignty in the republics, in the nationalities, and in the state community of Yugoslavia? No, let anyone who is not aware of this read the minutes, and I think there is no need here to reiterate that now. But I would ask the gentlemen how it comes to be that now they are referring to the 1974 Constitution and to the Assembly, and they did not wonder about that when they completely violated that Constitution in the Republic of Serbia by dissolving the autonomy and assemblies of Vojvodina and Kosovo and with everything that has happened?

**Jugoslav Kostic:** Vojvodina has not been dissolved.

**Milosevic Would Revive a Dead System**

**Franjo Tudjman:** Once again, this is something that we have repeated perhaps a hundred times in these discussions, you cannot have one set of criteria for yourself while others impose another set of criteria. We cannot set out to resolve the Yugoslav crisis on the basis of our own views and our own interests—exclusively our own. But as almost everyone—including the participants in this discussion who have been mentioned—formally explain, the principle must be adhered to of adopting and respecting other views, other sovereignties, and so on. That is all I have to say.

**Vasil Tupurkovski:** (...) My point of departure was that the system is not functioning. That is our reality. No one can convince me that the system is functioning. And he (Milosevic) assumes it is necessary to revive that system and the functioning of the system. So, what is the reality now? The reality is that the system is not functioning, and the reality is the status of the republics, and the Yugoslav status is threatened here—be it integrative or cohesive—whatever you like, and those are the negative realities which first have to be changed if we are to discuss this in real terms. And I am dealing with two completely real categories: That is the status of the republics that has been attained and the nonfunctioning of the system. In that context, if you consider things, then the question is whether we can transform the process of disintegration into certain new joint forms of integration. Referring to what Slobodan Milosevic wants, this is something much better than "zero," and I have been proposing forms of association which we can realize on the basis of real interests and the republic status already attained, which we would do on behalf of some kind of Yugoslav community.

**Slobodan Milosevic:** Precisely those things you speak of—the fact that the system is not functioning and the republics are independent—what that amounts to is conflict and bloodshed. But the functioning of the system at a minimum level affording the minimum necessary basis, legal basis for resolving the Yugoslav crisis, and for attaining a political agreement, that is a

way out that eliminates conflict and bloodshed—that is the point. We have to distinguish the cause from the consequences.

**Vasil Tupurkovski:** If we want to be altogether realistic, then we would say that we can achieve a political agreement and then provide the legality. But you want it the other way around, which is unrealistic.

**Slobodan Milosevic:** I do not want it the other way around.

**Vasil Tupurkovski:** Why talk about the functioning of the Assembly so as to arrive at a political agreement? We will not reach a political agreement.

**Slobodan Milosevic:** How will we attain legality—who will grant legality to the decisions which we propose in some political agreement?

**Vasil Tupurkovski:** If you are asking me, the Federal Assembly.

**Slobodan Milosevic:** So there you are, what is the difference?

**Vasil Tupurkovski:** We first have to reach a political agreement on the basis of real interests and the real situation. That is the difference.

**Borisav Jovic:** We do not have any dispute here at all. But when we reach a political agreement, how will it be carried out if we do not agree that the Assembly will sit? We do not have a dispute here.

**Vasil Tupurkovski:** So why are you pursuing it?

**Borisav Jovic:** Tudjman said that the Federal Assembly cannot be revived, and Kucan said that there would be a delegation authorized to do this. Fine, perhaps it might be possible to find a solution in that form.

#### No Revival of the Federal Assembly

**Franjo Tudjman:** That is what I said. The Assembly can act either as a delegation in the Chamber of Republics and Provinces or even specifically elect the delegations of the republics.

**Milan Kucan:** I agree with Tudjman—it is not possible to revive the Federal Assembly and the functioning of the system—whatever we would like. They are the reason for the crisis, one of the most important reasons for the Yugoslav crisis. But we have to guarantee—in this period of the moratorium, however long some of us might think that period of the moratorium to be, or when it starts, and when it ends—that those basic functions be guaranteed so that we can achieve and legalize an agreement. And there are different ways here(...). If we start with that first principle which Branko Kostic spoke about, that we face reality, that we establish what the various republics want with respect to their future interests and status, and that the agreement is about how to achieve that without violating the interests and the equal rights of others, of course, those republics which want

the highest level of integrity, even all the way to a unitary state—then fine, that is their affair. But apply the converse to us “who do not want that minimum,” if I might be a bit facetious—who want “no degree of intensity,” then, of course, we have to be allowed that—once again respecting one and the same principle.

[Box, p 9]

#### Kostic, Bosnia, and the Croats

**Bogic Bogicevic:** As far as I am concerned, in this phase I would rather we issue guarantees to ensure the right to self-determination and integrity of the republic, and if there should be a possible change of borders, that this will be done through a democratic procedure and without the use of force, and then let them be changed. But I do not see any reasonable way in which Bosnia-Hercegovina could be divided, I do not see it by peaceable means. And (Bosnia-Hercegovina, author's note) has not expressed a will to leave Yugoslavia, within its present borders, of course.

**Branko Kostic:** But, Bogic, I will now put you a question. Croatia has firmly opted for forming its own national and independent state. Are you questioning the right of the Croatian people in Bosnia to express themselves and decide whether they want to remain in Bosnia or Yugoslavia, either one or the other or both, but you deny it the right that as a segment of the Croatian people, by its free will, in a referendum, it can decide to live in that Croatian state?

**Bogic Bogicevic:** I am not questioning anyone's right, the right of any nationality to self-determination, but we do not essentially differ here in what we mean by the word narod, narod when it means people, narod when it means populace, and narod when it means nationality, and we have now reduced everything so that we see it through the ethnic prism, and then we say: “There is no longer a Bosnia-Hercegovina.” That can now be said. But if we want to preserve the republics, then we have to talk differently. After all, it would be normal if Bosnia-Hercegovina, as is sanctioned by the Constitution, were to be the homeland of the Croatian people living in Bosnia-Hercegovina, just as it is the homeland of the Serb and Muslim nationalities.

**Alija Izetbegovic:** I did not understand the beginning of the question. Did he say “if” Bosnia decided to set itself up as a national state? He did not, excuse me.

**Branko Kostic:** I said—let us start with an assumption and the state of the facts. So, given this state of the facts—unless something essential changes, and I do not expect that—we already have the commitment of the Slovenian people to form their own national and independent state and to leave Yugoslavia. We already have the same commitment for the Croatian people to form their own national state. I now put the question to Bogic, if we are talking about the right of people to self-determination all the way to secession, in all that he has said now is he denying in advance the right of the

Croatian people, in case Croatia should leave Yugoslavia and form an independent national state of Croatia, denying the right of the Croatian people in Bosnia to decide to remain within that state(...). Even though Croats in Bosnia represent only 18 percent of the total ethnic composition of Bosnia-Hercegovina...if we take that principle as our point of departure (self-determination, author's note), we can hardly deny the right, if we are speaking about a completely new system. If we are speaking about Yugoslavia remaining as it is, within the borders it has today, on certain new principles and foundations, and so on, that is another matter, then probably no question of internal borders would be raised. But I do not preclude that possibility...of my talking with some representative of the Croatian people in Bosnia, I do not preclude the possibility that that people which today constitutes one of the three nationalities which make up Bosnia-Hercegovina does not exclude the possibility that the desire might arise, and they might also exercise their right to self-determination.

**Alija Izetbegovic:** I will not get started on that topic, it is a very long story. This discussion is based on a false premise that we have certain compact ethnic entities, they do exist here and there in Yugoslavia; however, we have one specific region, one part of Yugoslavia in which there is a thorough mixture of nationalities, and that is Bosnia-Hercegovina.

Accordingly, you are now imagining how you would guarantee or ensure the right to self-determination of the people in a place like Sarajevo, which has a population of 600,000, consisting of 300,000 Muslims, 180,000 Serbs, and 70,000 Croats. When you speak about self-determination, this is a principle which can be respected, but there are exceptions in Yugoslavia.

(...) Can we put the question of changing the borders of Serbia because in the Sanjak there are 300,000 Muslims living in one place, representing an island in Serbia? How is that question to be resolved? How do you deal with the question of self-determination of those 300,000 people, and so on? These are complex issues which I do not want to get into here, but I would stick with the principle of self-determination of nationalities, and we will see what we can do. But I would exclude the use of force. And that should ultimately stand in all the documents which we are now being advised to adopt by the international public, institutions, and the Conference on Security and Cooperation in Europe and all those who have been coming. Two things have been represented everywhere: elimination of the use of force in settling domestic affairs and external borders and other things, and the second thing is the rights of all nationalities and ethnic minorities.

[Box, p 9]

#### Borders

**Alija Izetbegovic:** Fine, if we cannot agree on that, on not using force, on changing internal borders, then we really

will not be able to agree on anything(...). Do not insist at all on changing borders and do not ask the people there in the local communities to vote on changing borders. There is no use of force, but how are we going to do it. If we ever resolve that question it will be a thick study on how borders can be changed. But it will not simply be opening the way to changing borders and then having some local community vote to secede from some opština.... If there should be a need for borders to be changed, then this should be done in a study of what should be done, not just raise the issue this way. Here we should only assert that they cannot be changed by force.

**Slobodan Milosevic:** No, no, the question of borders has been raised by those who are leaving Yugoslavia. Had there been no secession, the question of borders would not have been relevant at all.

**Stjepan Mesic:** There is no secession.

**Slobodan Milosevic:** What was that you said?

**Stjepan Mesic:** What do you mean secession? Who is seceding?

#### Controversial Zagreb Council President Interviewed

91BA1060A Zagreb DANAS in Serbo-Croatian  
13 Aug 91 pp 21-23

[Interview with Mladen Vedris, president of the Zagreb government, by Marinko Culic and Darko Pavicic; place and date not given: "I Vote for Reason"—first paragraph is DANAS introduction]

[Text] The president of the Zagreb government on why he has not become a minister and on the rumors that, as he says, are expanding the army of those dispossessed of power and the handful of unsatiable people around him.

It is sufficient to utter the name Mladen Vedris, president of the Zagreb government, in order to evoke a whole series of reactions, from exaggerated praise to exaggerated criticism. For some, Vedris is the personification of the young and capable businessman of typically managerial conduct, but for others, he is a confirmed autocrat of unlimited authority. In any case, the gossip in political corridors has not subsided since the election of Mladen Vedris as president of the Zagreb government.

Vedris in the government! Vedris out of the government! Which should be said? Just erasing his name from the list of future ministers is creating a real avalanche of political gossip. "Hard" members of the Croatian Democratic Community (HDZ) were supposedly against the almost-vice president of the Croatian government, but the president of the republic, Dr. Franjo Tudjman, personally defended him. On the other hand, it is said that Vedris set forth his conditions for joining the new government.

The president of the Zagreb government is in constant conflict with the "hard" movement of the HDZ in the

city assembly, and his confrontation with the president of the city assembly, Boris Buzancic, is often mentioned. One can hear various things about the cause of these clashes over Vedris, such as the claim that in centralizing the city administration he centralized his power, and even off-color stories like the one where he "allowed" tennis courts to "be built" for Franjo Tudjman on Jurjevska street in Zagreb.

In any case, Mr. Mladen Vedris is an influential man in the Croatian metropolis (and thereby in Croatia as well), whose entry into the government of a democratic society was expected.

[DANAS] In an interview with Dr. Tomac in the last issue, we asked him how is it that he entered the government, since a week or two earlier no one could have assumed it. Now we ask you how is it that you are not in the government, even though two or three weeks ago everyone believed that you would be in it?

[Vedris] The explanation is simpler than many think. A government has been created whose concept of democratic unity has its full meaning, and I agree with it completely, but it is not a concept that necessarily calls for a man of my profile and my affinities to be in the government. In the first consultations about the structure of the new government, when a place was also sought for me, there was talk about a government that would create a new developmental program for Croatia, but with the evolution of known conditions in the meantime, the need arose for a government that would work more to stabilize the situation with regard to the war that has been forced on Croatia. In short, it became necessary to find someone who would return the attack against Croatia most effectively; this is not simple, since there is a powerful and well organized enemy on the other side. I judged that my presence is not necessary for such a concept of government and that it is more useful to wait for circumstances where my basic preoccupations—questions of development, transfer of ownership, investment of capital and the like—would again be priority interests of the Republic of Croatia. Unfortunately, the natural questions of survival are now the top priority, and not market questions of further development.

[DANAS] Does this mean that you consider the present government a temporary solution?

[Vedris] No. This government has the unusually important task of leading Croatia through the period of war and to bring it as painlessly as possible to a quiet harbor where questions of development will again dominate. The government must preserve the connections that one day we will again resume. Until then, defense is the top priority, and not simply the defense of territory, but the defense of all developmental resources (raw materials, food, petroleum, roads, and of course, people), which must be preserved so that they can again be fully utilized tomorrow. This is the essential question for the survival of Croatia. The aggression that Serbia is now waging

against Croatia is comparable with Hitler's campaign against the east. That was Hitler's "Drang nach Osten" [push to the east]; this is Milosevic's "Drang nach West" [push to the west]. The former forced people in conquered territories to work for him. Here we are already witnessing the taking of grain, cattle, etc. from Croatia to Serbia. Before this, the same thing or something similar was done, first in Vojvodina, next in Kosovo, and then in Montenegro. According to all of them, Serbia, by utilizing their resources, infrastructure, etc., sharpened its pretensions to postpone the collapse of its economy, which turned out to be a complete failure from the standpoint of conception: The Smederevo forge is maintaining itself on "artificial lungs," Crvena Zastava is producing arms instead of automobiles, the electronic industry in Nis is generations behind world technological standards, and so on down the line.

[DANAS] If we have understood clearly, you made the judgement yourself that there is no place for you in this type of government structure. Isn't it said, however, that you received support, primarily in the HDZ itself?

[Vedris] The claim is incorrect. The whole truth is that on Friday evening, when the list of the new government was drawn up, I asked the government official to leave me off for the reasons stated. Here I do not deny that there was opposition to my taking a position in the government, as well as in the case of several other people, but this is the usual thing under all political circumstances. As you say, it was my personal assessment that in such a situation I am needed more for the job that I am performing here in Zagreb, which is the axis of development in Croatia, and under these crisis circumstances probably even more than that.

[DANAS] Nevertheless, how do you interpret the resistance to you in the ruling party? It is interesting that Bebic was "destroyed" by his Dalmatians, Vekic by the Slavonians, and you by the Zagreb crowd. Don't these facts say that personnel rosters are still drawn up on the narrowest government summit?

[Vedris] I think that you're oversimplifying things. What you're saying would suggest that there are monolithic party lobbies—Zagreb, Slavonian, and Dalmatian—but that's not true. I can say from my own experience that the representatives from Zagreb were not at all unanimous as to whether I should enter or not enter the government. Later, a number of them came to me and said that they were surprised that it turned out that way, but also that they shared my opinion that it's better like that too, since they are still equally concerned with the function that I am carrying out in Zagreb.

[DANAS] How is it that you still appear on the government list in tandem with Marina Matulovic-Dropulic. One gets the impression that you are again recommending her for your close colleague, as if you're not worried about the uproar that this caused when you did the same thing in the Zagreb government?

[Vedris] I see that you have become interested in the issue of personnel rosters. I will remind you what the Constitution of Croatia says about that. It says that members of the government are appointed by the president of the republic based on a proposal by the president of the government or the responsible government official on the structure of the new government. After that, consultations follow, which can be more or less polemical, and finally representatives of the Assembly express their views on the proposed structure of the new government. Therefore, there are no types of rosters or secrets. As to the candidacy of Mrs. Marina Matulovic, resistance to her and some others on my list for the structure of the government has amounted to the fact that former Communists are involved. If you now have a situation where members of the SPD [Party of Democratic Changes] are entering the government, then I think no better proof is needed of the absurdity of the accusations that were heard then. Especially since it was a person outside the party and, what is still more important, an experienced person. During this year of work in the Zagreb government, she confirmed her qualities and, quite justifiably I think, registered on one of the preliminary lists for the structure of the new republic government.

[DANAS] The new minister of industry and energy, Dr. Enzo Tirelli, was dismissed several months ago as director of the Istria electric power plant, also because of the accusation that he was a man of the previous regime. Now we see he's good enough to join Greguric's team. Is the strange time coming when candidates from the HDZ, because of internal party divisions as well as a "struggle" for power, get through with more difficulty than candidates from the opposition?

[Vedris] I wouldn't talk about a struggle for power. In my opinion, it's a question of differing views about what the government should look like. As far as Mr. Tirelli is concerned, his election was part of the interparty agreement under which the SDP was assured two positions in the government, one for a vice president and the other for a minister, and that party was allowed to approve people who in its opinion were the most competent. With this, the possibility of later comments on the past of the proposed candidates was reduced in some way, although two names were also discussed later in inter-party consultations. If times were normal, all that would not be necessary. The party in power would be able to form the government itself, something it has a right to do, but times are such that this type of government of "democratic concentration" was inevitable and necessary for Croatia.

[DANAS] I don't know if we understood each other right. I mention "struggle" because the internal party conflict in the HDZ was almost turned into an open national crisis in Croatia. What are the guarantees that this will not be repeated?

[Vedris] This belongs in what is called the study of democracy and is what exists in all parliamentary systems. Look at the Christian Democratic Party in Italy. It was the strongest party in Italy for years, especially after the collapse of the Communist Party. In Italy it is not considered any kind of problem that nearly distinct factions of the left and right—followers of Forlani, a group gathered around Cossiga, and others—exist. It is also similar in France, where it is customary for socialist governments to be formed by people who, as a rule, come with a mandate from one of the wings of the French Socialists. Therefore, the question is about something quite ordinary. On the other hand, your question has meaning in view of the circumstances that now prevail in Croatia and its surroundings. We know very well that the meeting of the Assembly at which the new government was chosen was preceded by the brutal aggression of the Army and Serbia on Erdut, Dalj, Aljmas and other places in eastern Slavonia, which was obviously intended to create the conditions that exist within the ruling party in Croatia. Therefore, it was planned to undermine Croatia by provoking disunity in the party in power, and by the same token it was considered that Croatia, preoccupied with this internal party tectonics, would be less capable of defending itself. Thus, the differences within the HDZ, which have now been demonstrated so drastically, can actually be a destabilizing factor; the responsibility of the leading people in it emphasizes this. Differences also exist within all the other parties in Croatia, but they are not in power, but only—and this since just recently—"near power," and these differences cannot get the political and media attention that the breaking up of the layers within the ruling party get.

[DANAS] One question from the Assembly halls. It is claimed that during the combing through of the list of the new government, only Dr. Savka Dabcevic-Kucar defended you at one time. There is also a lot of speculation about your closeness with Dr. Tudjman. Aren't you afraid that you will again meet the same fate as in 1971, when your connection with some leading people did not pay off?

[Vedris] I never thought that my connection with some of the leading people of the mass movement should have paid off, whether positively or negatively. Although my political involvement at that time was later forced on my head by the old regime, I was always proud of it, because I consider that I matured at that time politically, intellectually and, if you wish, from the standpoint of decency. Today we can say that all of us, the 1971 participants, derived complete satisfaction in the fact that we participated in the first acts under which a totalitarian regime later succumbed, and not only in Croatia, but everywhere in the world. Plainly, we were in the right, and that creates a feeling of satisfaction that can't be bought with anything.

As far as the support that you mention goes, I can only be flattered by it, but I have no illusion that I was so important in the party negotiations that anyone fought over something because of me. It is quite certain that the

parties started with their own interests which they hope to achieve in the new government, and there neither my name nor anyone else's is a top priority.

[DANAS] Aren't you now, after the "return" to Zagreb, a little bit afraid of the revenge of the hard wing of the HDZ with which you are "warring" in the city assembly? It might consider your nonelection a sign of weakness and a signal to attack you still more viciously.

[Vedris] That's an appropriate question, since I really can't exclude the possibility that a part of the resistance in the city government is trying to capitalize on the fact that I "left" and immediately "returned." However, if that happens, what has been happening up to now will be repeated. That resistance is not in conflict with me personally, but with the real life of the city. You know to what extent the financial potential of Zagreb has been reduced, but the city government, with me at the head, is nevertheless succeeding in maintaining and even developing its vital functions. If the resistance intends to open a front against Mladen Vedris again, it will have to explain, not to me, but to the citizens of Zagreb, what it is offering instead and whether it dares to sacrifice the interest of the whole city to private interests.

[DANAS] If we could nevertheless stick with what they're criticizing you for....

[Vedris] Go right ahead. "No news is good news" is not said in vain.

[DANAS] Do you consider it all right that the majority of important decisions in the city assembly are made under party discipline? Is it necessary to "squeeze" the city representatives so much?

[Vedris] Your information is not correct. Analyze the work of the city assembly and you will see that of scores and scores of items on the daily agenda, only a few of them are resolved by the application of party discipline or agreement within the ruling party. Something else is the concern. Many worthy and reasonable councillors in recent years have become passive, because they cannot identify closely with the ill-natured and often exhausting arguments in the councillors' clubs and in the assembly itself, where questions about the development of the city are pushed into the background in favor of numerous "debates" which we have witnessed in recent months. Thus, one relatively small group of aggressive individuals use the assembly as their own stage, from which the constructive majority are pushed out. Thus, the result is that the government and the assembly are in conflict, when the real issue is the attempts at personal promotion by several individuals. If they no longer agree with the HDZ program, which brilliantly sets forth the basic developmental questions for the city in a few important points, that cannot be the problem of the city government.

[DANAS] Isn't there a certain disagreement between you and Mr. Buzancic, president of the city assembly?

[Vedris] I highly respect Mr. Buzancic, city director of the city of Zagreb, because he is a man who has reached the very pinnacle in his professional life. On the other hand, he has lived life more than I, having at the same time experienced, in a period that is behind us all, what would not be pleasant for any of us to experience. Therefore, there is no reason for any speculation about conflicts between us as people. However, something else is the issue here, and that is that the jobs of the president of the assembly and the president of the executive council are in essence complementary. There is no need for measuring, or for rivalry, or for competition between the two of us. The job of the president of the executive council is operational: to be in the office, have as much contact as possible with all city services and activities, have as much information as possible, have contact with consultative bodies, and meetings with the executive council. These must be the core, the summaries of thorough preparations by the whole team. The president of the assembly represents the city in Croatia and abroad. He certainly achieves international cooperation to a greater extent, and at the same time is at the head of the city assembly which has given a mandate to the executive council. He is directly charged with the coordination of a series of assembly councils, meetings, etc., which make up the whole of one city. Zagreb has a million inhabitants and there is room in it for the involvement of both the president of the city assembly and the president of the executive council. And I would also say the need for this involvements, especially today.

[DANAS] It is claimed that Buzancic is the promoter of the HDZ hard faction and that you, even by your own admission, represent the technomanagerial group. Is that same conflict that we have recently had in establishing a new, third government repeating itself in Zagreb?

[Vedris] I wouldn't say that it's that, since the character of the problems of the city and of the republic is completely different. The most essential political questions are reflected at the republic level. Something else is reflected at the city level today, the repetition of the situation when there were 14 districts and a very firm bloc of interests, which affected several essential segments, existed in every one of them. These segments include influence on the so-called distribution of apartments and business sites; influence on enterprises and their personnel decisions, etc. The organization of the city at the normal organizational level to make it like a European city, and other such narrow lobby approaches, lose their meaning. No part of the communal infrastructure can function independently. An uproar has ensued when a part of the people has remained without influence, and they have not been able to reconcile themselves to it. We have reduced the number of people employed in the city administration. In this way we have saved the citizens a part of their revenues—from the craftsman to other employed people. We have made it possible to redistribute a part of those resources to those projects that we are carrying out even under these impossible conditions, but that does not help against

those stories. Multiply these thousand people by at least five—as many friends, relatives, family members as they have, and you will get an army of 5,000 or 10,000 of them which go around the city and see the incarnation of their problem in Vedris. They don't comprehend that the new logic is what makes such a setup in the city unavoidable. They probably believe that with my elimination, the old relationships would continue.

[DANAS] Another view has it that the "powerful man of Zagreb," Mladen Vedris, has introduced some type of lobby of his own, that he has his own people at specific points, and is developing some type of network of his own. How would you comment on that?

[Vedris] I recognize what is called a team, a group that is based on reason, professionalism, and correctness. Everyone who knows how to work is welcome on that team, regardless of whether I know him personally or whether someone else recommends him, but most of all if he is recommended by a list of accomplishments or specialized qualifications that could not be recognized because of the old system. A third view would give a chance to beginning employees who must move up. They must be the best, the best by objective parameters such as grade, length of study, knowledge of languages, other qualities.

One bizarre note on this theme: According to the logic of things, every day I sign a number of documents, personal, executive, these, those, and on each document there are four or five clearances, from the first administrator to that of the authorized secretary and the authorized vice president. I sometimes look at a document in order to check on it, but I don't look at 90 percent of them, because if the system functions, if those five clearances exist, then I cannot turn myself into an administrator who will check it. An example is the one touched on in a newspaper about Jarun and the cleaning of the toilet. It really made me laugh. I actually signed that document, because today there are tens of thousands of people on vacation at that Jarun. I have pictures too, documentation where you'll see how the Balkans looked and how toilets now look. In general, the basic problem with rumors is that you don't have an effective mechanism of protection. That mechanism must be a basis for an accusation, because everyone is innocent until he's proven guilty, and if it is shown that he's innocent, then there is a drastic compensation.

[DANAS] Does this mean that you have a ready list?

[Vedric] Absolutely, I think that such a mechanism, when it is put in place, will offer protection not only to me but to those who are not so prominent. You know that almost nowhere in Croatia has any program been so realized in substance as in Zagreb. Attention has not been paid to the interests of individuals, but to that which was already written down even before the preelection program, and to that which 90 to 95 percent of citizens want. The overwhelming majority of citizens want a city in which one can live normally, in which one

doesn't have to pull an administrator by the sleeve or take him to dinner for some information or procedure. You must really be an employee and servant of that citizen. However, that silent majority is neither aggressive nor present in the media. When you realize those aims, the majority is peaceful, satisfied, and its expectations, indicated in the elections, are met. In contrast, the minority, dispossessed of power, becomes aggressive and does not choose the means for attack. You cannot realize the kind of turnaround that we have realized here, and that all of it is costly has no consequence for a person who identifies with these changes.

#### Rupel Outlines Foreign, Domestic Policy Issues

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[Article by Slovene Foreign Minister Dmitrije Rupel: "Initiatives Give Rise to Crucial Events"]

[Text] After a year and a half of democratic changes, and after the war with the Yugoslav Army, Slovenia is at a turning point. Milan Kucan described it with his well-known statement that nothing would be the way it was before. I think that awareness of this crucial period is still not present enough in our political life, and that the transition has still been studied too little.

The communist system collapsed in a short time. The failure of communism—now in the opinion of many foreign observers and analysts as well—also caused the collapse of the Yugoslav empire. The cause and catalyst of these processes was Slovenia, and within it, certain political groups, parties, and individuals, not all of whom can be named and enumerated, and some of whom we can find at different levels of popularity. In the past year and a half those individuals and groups have had the most initiative, and their initiative (i.e., the encouragement and initiation of new processes) was expressed in the broad national movement that, as has been said, extended across Slovenia's borders and not only to the southeast. Without the initiative of the people who organized public forums and gatherings, established committees for human rights, wrote NOVA REVILJA, the May Declaration, the constitutional drafts, the programs of the SDZ [Slovene Democratic Alliance], the Social Democrats, the Greens, the Christian-Social Movement, the ZSMS [Socialist Youth Union of Slovenia]...without the initiative of the people who at the right time revived and affirmed Kocbek and Kavcic, and also without the initiative of the leaders of the ZKS-SDP [League of Communists of Slovenia-Party of Democratic Reform], especially at the time when they were marching from Belgrade, it is not possible to imagine today's new Slovenia. Those individuals and groups achieved national unity in the critical moments, but at the same time they retained their political differences and the culture of dialogue. There is no doubt that in that year and a half, Slovenia has matured into a political reality that the whole world, so to speak, is taking into account.

In short, the fact that we achieved what we did required a suitable number of new ideas and initiatives of a suitable nature. Initiatives give rise to crucial events.

The Slovene initiatives have been consistent with the initiatives of modern or postmodern, and above all, postcommunist Europe. The present time is not only a crucial time for Slovenia and Yugoslavia, but also a crucial time for all of Central and Eastern Europe, in which one should also include the Soviet Union. Slovenia, probably for the first time, is helping to make European history. On the basis of its achievements and its initiative, it can hope that it will also gain recognition in that European history, and it can hope that it will be ensured an appropriate and favorable space and position—if it does not make mistakes, of course.

The worst mistake would be if it lost its initiative, and if it sat on the "laurels" from its "victories" of one kind or another. In this paper, I attempt to indicate what our initiatives should be like on the levels of foreign policy and also domestic policy.

### I. Foreign Policy Initiatives

Slovene foreign policy initiatives have to be aimed in two directions: toward Yugoslavia and Europe, and the broader world, including primarily the United States and the countries of Southeast Asia, and in the direction of international multilateral organizations and institutions. If we were to be satisfied with just emphasizing and reiterating Slovenia's interest in independence, we would give an impression of selfishness, but the most fatal thing would be if we lost the initiative and did not achieve the greatest possible benefit for ourselves. Certainly Slovenia has an interest in getting rid of the danger of military, sabotage, and other incursions into our territory, but that cannot be achieved solely by increasing our military power and general vigilance, nor by consolidating our own borders; it can be achieved primarily by accelerating the emergence of a zone of peace and cooperation in the entire area of Central and Southeastern Europe. In order for the Slovene economy to flourish, it has to have in its surroundings as many friends as possible, i.e., bilateral and multilateral relations with Croatia and other republics, Hungary, Italy, Austria, and Germany, and in this regard it has to be sensitive to the fears about new European integrations and states and a weak Eastern Europe. The latter frightened the West at one time with its (military) power, but today it is frightening it with its lack of power, with the danger of a new migration of peoples, etc.

Slovenia cannot solve the Yugoslav crisis, but through its familiarity with the situation and through its initiatives it can offer models for a solution; and those are ones that protect Slovene interests. It is necessary to take advantage of a time when Slovenia has a certain amount of political capital and when it is recognized as a rational and constructive factor that adheres to European rules of conduct. The first assumption upon which our models for solving the Yugoslav crisis has to be based is the

independence of Slovenia, but of Slovenia as an "intermediate zone" between the West and the Southeast. That means that on one hand, Slovenia is open to the West, and on the other, to the Southeast. The East is an important market for the West and for Slovenia, and that is why it should not be given up.

In order to achieve peace and satisfy the opposing sides; in order for the West to be safe and for Slovenia also to be safe, Yugoslavia should be "divided" into zones, which means zones of (political and temporal) distance from or closeness to Western Europe. This actually is not a division, or, as we frequently say with fear, "disintegration," but rather a restructuring and a stabilization of the situation. In view of the fact that the center of hostilities is in Serbia, that is, on its border with Croatia, particular attention should still be devoted to that center: Particular security and internal consistency should be ensured for it. The borders of the zones are the borders of cultures and security "vessels" that restrict the flow of hostilities, but at the same time establish linkages where linkages are possible.

Because Europe cannot be expected to recognize several Yugoslav states at the same time, it is possible to make some sort of order for joining Europe, which is at the same time an order for the process of "disassociation" in Yugoslavia.

1. The first zone consists of the Republic of Slovenia, which should be a completely independent state with certain loose ties with the other zones. Let us say that a Conference on Security and Cooperation of the Yugoslav Republics [KVSJR] is established, which functions on the basis of agreement and is associated with the CSCE. If a Yugoslav Economic Community [JGS] were to be established, Slovenia could become an associate member of it. Slovenia would have closer relations with Croatia than with the other zones. Let us say that it has several coordination bodies with it (let us say that there are as many joint Slovene-Croatian commissions as there are ministries). In this regard, consideration should be given to special Slovene relations with the countries of the Hexagonal, especially with Austria, Italy, and Hungary, with which joint commissions, consortiums, etc., could be created.

2. The second zone consists of the Republic of Croatia, which is the "next in line" for independent statehood but is remaining more closely tied to the third zone during the waiting period. Let us say that it is in a (temporary) confederation with them, in the JGS or some other community.

3. The third zone consists of the "Southeast," or "Central Yugoslavia," which is a federation, and has joint representative and executive bodies. It is composed of Serbia, Montenegro, Bosnia-Herzegovina, and Macedonia, with the relations among these four republics being the kind of relations decided upon by them. A particular problem here is Macedonia, which would probably demand special status.

To sum up, the future relations among the republics of the present Yugoslavia could be illustrated by membership in different organizations or bodies:

Federation ("Southeast")	Confederation (JGS)	KVSJR	Hexagonal
1. Serbia	1. "Southeast"	1. "Southeast"	1. Italy
2. Montenegro	2. Croatia	2. Croatia	2. Austria
3. Bosnia-Herzegovina		3. Slovenia	3. Czechoslovakia
4. Macedonia			4. Poland
			5. Hungary
			6. Slovenia
			7. Croatia
			8. "Southeast"

The lowest common denominator and possible "community" of the republics of the former Yugoslavia is represented by the Conference on Security and Cooperation (KVSJR), which could start meeting immediately and would represent a framework for negotiations on regulating mutual relations, balances, etc. Of course, a condition for this would be that the republics would recognize membership in such a conference; the first result could be that its members would propose a new order, appropriate international associations, and membership in European and other institutions. As also noted by foreign observers (for example, Roger Fischer of the Conflict Management Group in June 1991), the mistake in the previous meetings of the presidents of the republics was that they did not have enough expert analyses; that the meetings were not prepared with the help of special working groups; and that the negotiators actually did not know how to negotiate or could not.

The Conference on Security and Cooperation in Yugoslavia could be convened through the mediation of the observer mission and within the framework of the CSCE system. The conference's "agenda" would have to contain a complete end to hostilities, depoliticization of the JA [Yugoslav Army], the autonomy of republics and minorities, human rights, and the inviolability of republic borders. Each republic would have to be represented by a delegation to the KVSJR; there would be six of them, and the chairman of the conference would have to be replaced in the beginning more rapidly than later on.

The establishment of such a conference would be a signal to the international community and to the peoples in Yugoslavia that they can work normally and return from the trenches to their enterprises and homes. The period of war hysteria would be ended.

Just as it applies to the republics and their alliances that they would act within the framework of the CSCE, the same thing would have to apply to the armed forces, which would have to submit to international oversight, either by the CSCE or the WEU [Western European Union] or NATO.

## II. Domestic Political Initiatives

### 1. Economic initiatives

A revival is necessary in the area of the economy, and it is necessary to attract foreign investments. It is pointless to talk about them unless the above-mentioned foreign policy conditions are met. The Slovene Foreign Ministry, the government, the president of the Presidency, and the member of the SFRY Presidency from Slovenia have each contributed in their own ways to normalize financial dealings with foreign banks. It is necessary to continue such activities, and to focus attention on the neighboring countries, the countries of Southeast Asia, and the United States. The Foreign Ministry is preparing a whole series of contacts for this purpose, and there has been an initiative for the appearance of a document with the title "Urgent Need for the Formation of an Economic and Financial Program for the Republic of Slovenia (9 August 1991). Unfortunately, this spring there was no implementation of the initiative from the Secretariat for Finance ("Subject: Economic and Financial Report from Slovenia," 19 April 1991), which saw a need for a comprehensive depiction abroad of Slovenia's economic situation.

Before the war and after it, Slovene policy was feverishly busy with revising (Mencinger's draft) the law on privatization and the law on denationalization. While on one hand it is necessary to privatize our economy as soon as possible, on the other hand it is inadvisable in a crisis situation to propose solutions that will agitate and divide the Slovene political and economic public. In connection with privatization, it is possible and necessary to achieve broader national agreement (this also applies, for instance, to the Constitution). It is possible to achieve agreement on several fundamental points:

1. It is necessary to achieve greater economic efficiency;
2. Social property results in inefficient production;
3. Also, the state is a poor owner or manager of the economy;
4. It is necessary to prevent and rectify "wild privatization" based on the book value of enterprises and based on the privileges held by the top people in socialized firms;
5. Investment in the Slovene economy has to be more profitable than investment, for example, in the Hungarian economy, and consequently it is necessary to improve the present nonincentive system of taxation;
6. It is necessary to restore confidence in Slovene policy and the Slovene economy and banking system in order to bring back to Slovenia the capital that has recently flowed out to the banks of neighboring states (according to some estimates, Slovenes have \$100 billion in Austrian banks);

7. It is necessary to protect and activate the Slovene entrepreneurial and managerial stratum, which has already been accustomed to operating autonomously in past years....

One of the main points of dissension or disagreement in Slovene politics is the attitude toward justice. A whole series of legislative initiatives originate in the conviction that it is necessary to right the wrongs committed by the old system—which is certainly natural. In doing so, however, it is necessary to consider different types of wrongs, from real ones to political and personal ones. In this regard, it is necessary to be aware that all revolutions have proceeded from the assumption of righting wrongs. If Slovenia decides to right wrongs in such a way that it will punish entire strata and generations, and affirm new, previously neglected strata and generations, it will set off on the road to revolution.

In wartime, and during the restructuring of relations among the Yugoslav republics, it is necessary to have a specific economic policy whose main orientation has to be pragmatic. What is working well should be left alone; this also applies to enterprises that are doing business with Yugoslavia. In order to be able to contribute systematically to the economy's survival, we must have the following at our disposal:

1. a realistic and detailed review of the situation facing the economy;
2. a strategy for survival and an assessment of economic trends;
3. a long-term vision of the Slovene economy's place in the space between Yugoslavia, Italy, Austria, and Hungary; and
4. mechanisms and specific plans for monetary and fiscal independence if we reach the end of the "moratorium" without suitable agreements and treaties with the other republics.

The Slovene government has shown too little initiative in these matters, and therefore it is not at all surprising that a special group of economists has begun meeting with the president of the Assembly. It is also not surprising at all that DEMOS has proposed reorganizing the government, with special emphasis on the problems of coordination and the shortcomings of the economic ministries.

After the soldiers' war we entered an economic war in which we have to be at least as successful as we were in the first one.

## 2. Party Initiatives

In view of my party membership, we can speak primarily of the SDZ, although clearly I will not be able to avoid commenting on the entire party scene, and primarily, of course, on the ruling coalition DEMOS. Actually, it is party membership that has become problematical.

During the postelection period, statements about non-membership seemed to be raining down, but the motives for them and the circumstances in which they were uttered, of course, were different. Some high officials "turned in their party membership cards," others thought the best opportunity was to act outside the parties, which they left more or less unobserved; a third group is stating that they unfortunately do not have time for the party; and a fourth group is saying that they are acting in the name of general national interests, that their work is above the parties, etc.

All such statements indicate a sort of awkwardness in connection with membership in some party; either this has to do with a supposition that someone has "outgrown" the party framework, or disagrees with the party's policy, or believes that the present party memberships and alliances are temporary and that excessive attachment would hurt one's career when the party scene takes its final form or when there are different coalitions than the ones we know today.

All sorts of things are also happening within the parties: division into factions, crossing over to other parties—recently this has been discussed with particular enthusiasm by journalists who sense a juicy topic.

Among the parties there are some that are fighting to survive and some that are striving for supremacy. The ones fighting to survive are:

1. the parties that started out as advocates of specific strata or groups: They are trying to erase their generational or trade union origin and give themselves new names; and
2. the parties that are derived from the old regime.

In Europe, the party scene is divided into two or more parts, but mainly in such a way that the emphasis is focused on a conservative side and a left socialist-reformist side. Those two parts compete with each other and replace each other in power, except in the case of the large coalitions that we are familiar with, for instance, in Austria (the OeVP [Austrian People's Party] and the SPOe [Socialist Party of Austria]) and in Italy (the DC [Christian Democratic Party] and the Socialists). Whether we want it or not, the political scene in Slovenia will become polarized and will lead to a smaller or larger number of parties. In this regard, it is necessary to take into account East European experience, which is characterized by the relative absence of leftist parties and where the conservative and liberal blocs are competing. An ideal example of this is Hungary. A political goal that no one in the East can avoid is modernization of the economy, and therefore it is taken into account by all the parties except for the "fundamentalist" ones that are based on "transitional" themes like anticommunism and nationalism, a return to traditionalism and family values, etc. As a rule, those parties are marginal.

Slovenia has its special features, but by some "iron" rule it will not be able to get rid of them. How much our

political life will become normalized depends upon external factors, but also on the initiative shown by Slovenia politicians and parties. In Slovenia there is quite certainly little opportunity for pro-Yugoslav parties, and furthermore for the classic left as well. Those that have a future are primarily conservative and liberal parties—in addition to the social democratic bloc, probably less influential—parties that may oppose each other, or may, in an extreme case, form a large coalition.

Instead of dealing with speculation about who will manage to win future elections, however—which depends on the date and certainly on the method for the elections (a proportional or majority system?)—let us dwell on the question of the priority political tasks and orientations for Slovenia.

I think that the essential political issues are the following:

1. the stability of the Slovene political leadership—because of international recognition and because of the crisis in Yugoslavia;
2. the competence and reputation of those responsible for Slovene independence;
3. successful defense in the economic war being waged against Slovenia—the successful planners and executors of economic policy;
4. the excessively large and wasteful state administration, along with the excessive opstina apparatus;
5. modernization and rationalization of the so-called “social services”;
6. a new employment policy;
7. regulation of the situation of retirees;
8. modern education, and internationally active science and culture;
9. a European foreign policy essentially aimed at confirming independent Slovenia as a factor for stability, and its internationally guaranteed neutral position....

In these and other areas, new initiatives are necessary that will not be based either on anticommunism or on equity or martyrdom, but rather on participating as actively as possible in building a new Slovenia. The slogan of modern Europe is participation, inclusion in social processes. The European nations are becoming integrated because they fear separation; no isolationist policy has any prospects. Instead of anticommunism in the West and anticapitalism in the East, joint participation is becoming the “glue” of modern Europe; this means cooperation, the flow of information, free communication, etc.

I hope that these will be the key themes in the coming years. Of course, it is the SDZ that I want to respond to them best. In the distribution of political parties, it ought to occupy a middle and central position, between the

conservative and liberal parties, to the extent that those names mean anything at all. The SDZ's message could be: active response to the most complex issues of the time that is coming. The SDZ's central question could be how to allow as large as possible a number of Slovenes to participate in creating a modern, European Slovenia, which naturally cannot be a Slovenia with particular ideological prejudices, a Slovenia of old resentments and nostalgias, nor merely a Slovenia of “willing hands” (which are never useless, to be sure), but rather has to be a Slovenia of initiatives.

#### Kosovo Albanian on Balkan Confederation

91BA1125A Zagreb VJESNIK in Serbo-Croatian  
1 Sep 91 p 6

[Interview with Shkelzen Maliqi, president of the Social Democratic Party of Kosovo, by Nadira Avdic-Vllasi in Pristina; date not given: “An Ancient Balkan Confederation?”]

[Text] Among the string of options about Yugoslavia's future, that of Shkelzen Maliqi, president of the Social Democratic Party of Kosovo [SDSK] and a distinguished Albanian journalist, is also of unquestioned interest.

[Avdic-Vllasi] What are the prospects for resolving the Yugoslav crisis? There is a great deal of talk about the secession of Slovenia and Croatia, but little about what will happen with the others.

[Maliqi] After the secession of Slovenia and Croatia (it is a matter of months, perhaps even days, and they will be recognized as sovereign states), a large and complicated process of political and governmental rearrangement will be initiated in the remainder of Yugoslavia and indeed in the remainder of the Balkans. Serbia has already defined the northern and western borders of the ethnic space which it considers its own. Milosevic has embarked on a vigorous effort to form a tripartite federation (Serbia, Bosnia-Hercegovina, and Montenegro) as a successor to Yugoslavia. He has been aided in that by the initiative of the MBO [Bosnian Muslim Organization] to conclude the Bosnian-Serbian agreement. That truncated Yugoslavia, as it is called, would resolve the Serbian issue and even the Bosnian issue, or Muslim issue, as seen by the MBO. It must be said that this solution is not accepted by the Croats, especially those remaining outside the parent state. Thus, Montenegro and Bosnia-Hercegovina would remain entities with their present status of republics with limited sovereignty.

[Avdic-Vllasi] What would happen with the minorities in that so-called truncated Yugoslavia?

[Maliqi] They would certainly be anxious about the dominant position of the Serbs, who in that state would constitute at least 65 to 70 percent of the population. There are those who think that such a state could enter into a confederal union with Croatia, Slovenia, and

Macedonia, and that the present Yugoslavia would thus remain within an internationally desirable framework of Gorbachev's model of federal states.

[Avdic-Vllasi] Does it seem to you that a Yugoslav confederation is still possible even today?

[Maliqi] I think that the war in Slovenia and what is happening in Croatia make it almost impossible. Perhaps there would still be prospects if Serbia were to immediately recognize Croatia within its present borders and if Croatia approved the project of the tripartite federation. Today, it is true, that seems unlikely, but if international factors should insist on a compromise, perhaps Serbia and Croatia will have to consent to a division that will put the Serbs in Croatia and the Croats in that Serbian federation in the position of minorities, but their status would be regulated by a reciprocal arrangement of guaranteed rights (political economy [autonomy(?)]).

[Avdic-Vllasi] What will happen to the southern borders of Serbia in all of this? How do Kosovo and Macedonia figure here?

[Maliqi] It is hard to say whether the fact that when Serbia did not invite Macedonia to the tripartite meeting, it was renouncing once and for all any penetration in the Vardar corridor which connects the Aegean region with Pannonia and central Europe. We still do not know whether Serbia really wants to avoid serious conflicts, not only with the Macedonians, but also with the Bulgarians and Albanians. In presenting the option of Macedonia's joining a Yugoslav confederation, Kiro Gligorov recently surprised people by mentioning the option of a Balkan confederation, which could be a kind of bid for creating a Southern Balkan counterbalance to the possible aspirations of a Serbian federation to spread to the south and southwest.

[Avdic-Vllasi] You are talking about a confederation of Bulgaria, Macedonia, and Albania? Would you also include Kosovo?

[Maliqi] That confederation, which we might refer to as the Ancient Balkan Confederation, could embrace the regions of what once were Thrace, Macedonia, Bardania, Southern Illyria, extending from the Adriatic to the Black Sea, and it would result in a relatively well-rounded solution to the Albanian, Macedonian, and Bulgarian questions. That confederation would have a population of about 18 million, it would have an area of about 180,000 km, strong resources and economic potential, a respectable army, perhaps included in the Atlantic military alliance, and a common market....

[Avdic-Vllasi] Do you really think all of these potential members could be interested in that kind of confederation?

[Maliqi] A sovereign Macedonia could hardly survive unless it found allies who would defend the sovereignty it had gained. An expanded Serbia, in alliance with Greece,

would represent a particularly large danger to the Macedonians. We note that the Bulgarians, who were the fiercest challengers to Macedonia, now have a different approach and recently have even been insisting on Macedonia's sovereignty. The development of events in Yugoslavia could turn Bulgaria toward a firmer agreement with Macedonia, including a solution to the status of Pirin Macedonia. Bulgaria would lose nothing thereby, but Macedonia would finally gain release from its orbit in the Serbian sphere of interest.

[Avdic-Vllasi] And at the end of these interesting options—what would happen to the Albanians, particularly those in Macedonia?

[Maliqi] The very sizable Albanian population, numbering about 800,000, must have equality in Macedonia so that it can be energetically committed to defense of its sovereignty, which otherwise they could very seriously threaten. That is why Kiro Gligorov is seeking another strong point of support to guarantee Macedonia's sovereignty in an agreement with the Albanians, who would renounce claims to western Macedonia, but in it they would have territorial and political autonomy, just like the Pirin Macedonians. The inclusion of Albania and Kosovo in the Southern Balkan Confederation would establish a balance of power and would reduce the destructive pressure on Macedonia. If anyone sees a Bulgarian-Albanian agreement as a plan to crush and divide Macedonia, that would be an occasion for a new Balkan war. In any case, other options, alliances, are also possible, because it seems the competition is always open.

#### Jansa on Army Plans, Government Reconstruction 91BA1067A Ljubljana DELO in Sloveme 17 Aug 91 p 18

[Interview with Slovene Defense Minister Janez Jansa by Boris Jez; place and date not given: "We Cannot Afford Naivete"—first paragraph is DELO introduction]

[Text] "Slovenia's goal is to have the Army leave as soon as possible, and never return again. Its leaving will not eliminate the problem as long as there are no suitable guarantees that it will not come back, for example, in the form of a brief bombing attack. I, and probably also Mr. Bavcar and Mr. Kacin, are in positions in which we cannot afford naivete," says Slovene Defense Minister Janez Jansa.

[Jez] Part of the Slovene public thinks that along with Minister Bavcar and Kacin, you are using press conferences like the last one to arouse war hysteria again. What do you say to that?

[Jansa] I am surprised that after everything that has happened in Slovenia there is still so much naivete, and that a lot of that naivete has also remained in political circles. The information that was provided at those press conferences, including the last one, was true, at least as far as that key information was concerned. We always

verify both the sources and the content, and we do not give facts to the public as long as things do not hold up. Proof that things are holding up is the fact that neither the Army nor any other Federal body has denied what was said. Unfortunately, at least until now, our assessments have always turned out to be correct. Whoever wants to deal with this should go back six months and analyze our announcements and assessments, and he will see that the analyses are true.

I would also state that all sorts of people, including some in the media, are surprised that we are providing rather sensitive information to the public, since the public was not accustomed to that before.

[Jez] You are probably doing that with some sort of "preventive" intention?

[Jansa] In my opinion, the public is one of the main factors in democratic politics. Previously, in the one-party system, that was not the case, and Slovene politicians on many occasions concealed information critical to the Slovene people and only let it become public afterward through some secret channels, so that no one would be guilty. We know about those affairs with tape recordings, photocopies, photocopying, etc. That was possible in some different system in which the public did not count for much, but now that is no longer possible.

Great naivete is prevalent in Slovenia—and that was also shown by the reactions to our latest press conference—in connection with expectations that everything will be solved when most of the Army leaves Slovenia. We are also hearing from the lips of some politicians that Slovenia's strategic goal is to have the Army leave as soon as possible. That is true, of course, but that goal is not sufficiently defined by that sentence. Slovenia's goal is to have the Army leave as soon as possible, and never come back. The problem as a whole will not be eliminated when the Army leaves. Without any guarantee that it will not be back—even if only in the form of a brief bombing attack, for instance—as long as there are no such guarantees, the problem has not been solved. I, and probably also Mr. Bavcar and Mr. Kacin, are in positions in which we cannot afford naivete. Perhaps someone can who is in some other position where he thinks that he can score political points by reporting primarily positive facts. I am not getting involved in that. We cannot afford naivete. If we could, then we would now be sitting somewhere else.

[Jez] In Slovenia, the JA [Yugoslav Army] in the barracks was actually in a trap. When it leaves we will lose an important trump card, and we will be in a weaker position, at least militarily.

[Jansa] From the military standpoint, your statement is partly true. The situation will have to change considerably for the danger of a military threat not to be as threatening any longer. We have gained a great deal politically through the Army's withdrawal.

[Jez] When will the bulk of the JA units withdraw?

[Jansa] On 8 August, several hours after our press conference, the administration of the general staff confirmed a modified plan for the withdrawal of military units from Slovenia proposed by Zivota Avramovic, the commander of the Fifth Military Region, and in that plan the time for the withdrawal has been radically shortened. The last units—which are supposed to be the 14th corps command—will withdraw on 5 September 1991. The plan is very interesting, but indicates that we also cannot underestimate some different motives for the withdrawal than those that have been publicly presented.

[Jez] What sort of motives could those be?

[Jansa] There are several reasons for shortening the withdrawal. The background for the modified plans for the JA's withdrawal from Slovenia is primarily the convulsive efforts to use the August period gained by Serbia's latest deft maneuver for military reinforcement of the "reliable" part of Yugoslavia against a possible serious internationalization of the Yugoslav crisis. The JA is in a big hurry. After the discharge of the September generation of conscripts, its manpower will be reduced even further. In effect, it will only be a Serbian and Montenegrin army. The other reason for the rush is time. Military operations with the support of the Air Force, which guarantees the JA absolute superiority in the air in internal conflicts, can be realistically planned only until the end of October.

With the redeployment of military equipment within the framework of the present Yugoslavia to primarily Serbian territories or areas where it has sure influence, Serbia is becoming a military power to be reckoned with in the Balkans. If it settles its internal antagonisms and the Kosovo question without major upheavals, then its military power will be a constant source of instability and conflict in this part of Europe.

There is also another indirect consequence of this fact, which is no less important to Slovenia and is already present. Up until Brioni, during the negotiations over the signing of the Brioni Declaration and also later, one of the "most convincing" and most tangible arguments used by the European statesmen to persuade the Slovene negotiators of the harmfulness of unilateral steps and the need for a moratorium was precisely the threat from what was then still a Yugoslav military force. They said, "If you do not agree to our conditions, we will leave you to the Army. Choose between war and peace." In the next few months, the relatively unusable JA will be replaced by a practically unified and much more usable Serbian army, with the entire combat arsenal of the JLA [Yugoslav People's Army], which will still be able to cite Federal legislation and the Yugoslav framework. The danger will not pass with the JA's withdrawal from Slovene territory—on the contrary. Threats of bombardment will be much more convincing, and probably that is the least that we will have to fight off until there is a clear

definition of Slovenia's international status and its possible recognition. During that entire time, according to a great deal of reliable information, at least part of so-called Europe will try to impose upon us at least some sort of confederal Yugoslav framework. The argument that we will thus avoid bloodshed will be reinforced by tangible threats from elsewhere. Of course, we can hope, with considerable justification, that the European public, and also certain countries, will not permit such games, but we cannot completely rule out that possibility. There is very little sentiment in international relations; hard and selfish Realpolitik prevails.

The world arms market is closed to Slovenia and Croatia. For that reason, in the medium term both republics are exposed to threats from Serbia, which is appropriating for itself the JA's existing equipment and weapons, and at the same time is the only one with arms factories. Thus, the ban on arms sales to Yugoslavia objectively serves more to put pressure on Slovenia and Croatia, and is an expression of the aspirations for a unified Yugoslavia, and not a contribution to the peace effort in Yugoslavia.

Furthermore, there is still the matter of the balance of forces within the JA. In my opinion, the military leadership has achieved agreement or unanimity only on the point that a withdrawal from Slovenia at this time is the least bad alternative. They have all agreed on that, but they have not agreed, and probably have not even tried to reach unanimity on what will happen after that. A plan has been prepared that goes far beyond merely the withdrawal phase, and also includes a phase of greater activity in Croatia, the military subjugation of Croatia, and after that, a push against Slovenia as well. Some people in the military leadership viewed the preparation of that plan primarily as a sop to those army officers who did not agree with the withdrawal. A sop—"we will still get revenge and come back, but now we have to withdraw and consolidate ourselves." Others, of course, viewed this plan as a mere fact. When it will actually be carried out, of course, does not depend only on the plan itself, which has been given the operational name Okop II [Trench II], although it is not a continuation of that command-headquarters exercise but only an established term that people understand. The fact is that from the military point of view, this plan has been flawlessly prepared, in the details as well. From the military point of view, the strategic concept is correct. The question, however, is whether at this time the political and other circumstances, as well as material and not least personnel-related circumstances in the Army, will be such that the plan will be feasible as it has been projected. The most effective defense against that plan is accelerated internationalization of the Serbian-Croatian question.

[Jez] The Army, then, is in a hurry to get out of Slovenia, but according to many reports from the field, it seems as if the withdrawal is being dragged out. What is actually going on?

[Jansa] It is necessary to proceed from the fact that the Army has concluded that a withdrawal is the least bad alternative, and it is carrying out this withdrawal because of its own needs and assessment of the situation here. There is also no possibility, except for some radical change in the situation, of that relocation being halted. Those fears that some politicians are sowing here, that they will stop withdrawing if we are not well behaved and do not return to them even more than they are demanding, are of course empty fears, since once you move families, once you withdraw some of the units, etc., then you have to carry it out completely. Otherwise it is a lost cause.

[Jez] Does that mean that the Republic of Slovenia is renouncing once and for all the JLA weapons and equipment that would belong to it according to any reasonable division of property?

[Jansa] I would put it like this: Nothing is impossible. Nevertheless, it is pretty clear that what leaves Slovenia's territory is lost to Slovenia forever. I hope that we will not get into a situation in which we will need the weapons again. If we do not get into the kind of a situation where we will need the weapons again, then clearly those weapons objectively do not have the same value to us as their nominal value. The question is how all of this will affect the status of the rest of the Federal property. I think that this is the beginning of a division according to a principle that will also apply to everything else, i.e., everyone will have what he has on the territory that he controls. I am thinking both of the foreign exchange reserves and the trifling gold reserves that are in Belgrade, as well as other Federal funds, and probably most of the property of the diplomatic service and the Yugoslav Foreign Ministry. With all of this, however strange it may seem to anyone, a balance of forces is being created in which Serbia is becoming a regional power in the Balkans. I do not agree at all with the views that because of its weak economy, or because it has a weaker economy, it will also be weak militarily. That difference can be extended over a longer period of time, as we can see in the case of the Soviet Union, where it took 70 years for the real consequences to appear; and in those 70 years the Soviet Union was one of the world's two great powers.

And we can see at least this as a means of pressure—in this last night in Croatia—that it is not being used just as a means of pressure, but also as a means of immediately achieving the goals.

[Jez] Serbia's military superiority, then, implicitly means continued long-term instability on the territory of the former Yugoslavia and in the Balkans, and, of course, a danger to Slovenia?

[Jansa] As long as Slovenia is not internationally recognized, it will not have any of the so-called civil guarantees that will protect it against the military superiority of the southern part of the present state. We have to be

precisely aware that the international observers' mandate, of course, is limited in time; it was said that it would be for three months, and after that time they have nothing to seek here. And actually, then they do not have any legal basis, unless, of course, all the sides that signed the Brioni declaration agree on an extension. The question that arises is what will happen during that intervening time. At the Slovene Presidency meeting that just ended, I warned that the period we are in now is similar in many respects to those weeks in May and June, prior to formal independence, when it was necessary to know precisely what would happen after 26 June, not just in general, but also what would happen with money, what would happen with the economy, what would happen with the borders, what would happen with customs, what would happen with the economic balance at the end of the year, and what would happen with the budget. Those questions are also coming up now. We should not have any illusions that the part of Europe that is interested in Yugoslavia's remaining together will not play the card of Serbian power. It will be a real factor, and they will always be able to say what was in the background of the Brioni talks: "All right, we will help you, but don't be so stubborn and ram your heads against a wall. Agree to some sort of Yugoslav framework," etc.

Obviously, after the moratorium period, it will be necessary to revise some previous Slovene proposals. For instance, the air space problems indicate that it will be necessary to become completely independent in that area as well.

That is a key point that can also affect all sorts of other things. Before independence, the government agency responsible for this promised that in the event that Yugoslavia no longer wanted to exercise control in the higher levels of the air, this would be done by one of the neighboring states, that these agreements had been concluded, etc. It turned out, however, that nothing came of this, and now as well the whole thing is still up in the air. We are making a big effort with analyses and assessments that are to be completed now about which alternative to choose. It is pretty clear that Slovenia will have to replace the most necessary equipment, regardless of the costs, if it wants to be sovereign in the air as well. As long as it is not also sovereign in the air, it certainly cannot demand recognition; and as long as there is no recognition, it cannot conclude an agreement with the neighboring states. It is a vicious circle, although it would be reasonable for at least part of that air control to be handled by one of the neighboring states. Several of the smaller states in Europe regulate this problem on the basis of an agreement.

[Jez] Do you have anything specific in mind yet with respect to future control of the air space above Slovenia?

[Jansa] Not just in mind; but we are encountering problems of a technological and material nature.

[Jez] Minister Rupel is proposing some sort of Yugoslav conference on security and cooperation; but that is

objectively not possible unless there is also some general military agreement between the opposing sides that would ensure a minimum of stability.

[Jansa] First of all, it is necessary to say that these initiatives are necessary, because, if for no other reason, they open up the horizons and create room to seek solutions; but viewed realistically at this time, as long as the political picture on the territory of the present Yugoslavia is not clearer, there is no real possibility of having such a conference take place. There could be a meeting in some previous form that would be given a new name. The results, of course, could not be compared with the CSCE [Conference on Security and Cooperation in Europe].

There is probably no longer any possibility at all of the latter, the possibility of concluding a military agreement on the territory of the present Yugoslavia, even though there are professional reasons that apply to Slovenia as well and that argue in favor of such an agreement. Nevertheless, all of this has been contaminated by the last war, and politically the situation has changed so much that it dominates geostrategic considerations. Furthermore, the opposing side has also shifted to a different scenario, the building of a regional military power, which Serbia is becoming. And at any rate, what is in their interest is not an equal military agreement, but rather some sort of sale of protection for a lot of money; that is something that I am convinced Slovenia will not be interested in. Croatia also, objectively, will not be interested in something like that, unless it is coerced, and if there is no intermediate alliance, the matter is pointless.

[Jez] Nevertheless, in one way or another Europe will be forced to ensure some sort of military balance in this region.

[Jansa] Serbia is making much more adroit moves than the European Community. In the long term, of course, the results are still hard to assess, but in the medium term that has to be granted. And if Serbia consolidates its internal political situation without major upheavals, then Serbia's existence as the central regional factor will be a fact. It will be impossible to prevent that, unless Serbia becomes involved in adventures, such as, for instance, supporting the Army's plans for the complete conquest of Croatia and then Slovenia as well.

[Jez] All of this, of course, is reopening the debate over a Slovene army and Slovenia as a demilitarized state. Not for the last time, we also have to count on the fact that in the long run we will have some sort of Yugoslav Lebanon on the other side of our southern border.

[Jansa] First of all, the question is where the real southern border will be. If the border with Croatia is settled according to European standards, then the southern border will be more to the south or the south-east. That alternative is already having a strong influence upon the development of Slovenia's defense system. I must say that it is probably clear to most people in

Slovenia, except for the most naive, that it will only be possible to think seriously about Slovenia as a demilitarized zone when Slovenia is part of some broader security system—either European, or possibly even broader. It is hard to say when that will happen, however—certainly not overnight, and also not just through international recognition. Whoever thinks so is building his views upon a utopia. It will be a rather hard road. To be sure, there are also short cuts which are likely, but this cannot be settled in a short time. That is why it is also necessary to be concerned about the military aspect of security during this intermediate period.

[Jez] Slovenia is establishing its own army. Will that also be at the expense of territorial defense [TO], which has received flattering assessments from military experts?

[Jansa] Slovenia already has its own army. The question is what someone has in mind by that term. Clearly it will have to be territorial defense, which remains as a framework....

[Jez] I think of TO as a strategy for resistance....

[Jansa] Until now, territorial defense has been one of the components of the armed forces, but now it is becoming the only military component, while during the recent battles it participated as one of the components, since the police also took over a large part of the combat tasks. It was only possible to achieve those successes through a joint approach and joint action. After 27 June, the Yugoslav Army definitely disappeared as a factor in Slovenia's defense. In part, TO needs to be further organized so that it will be capable of exercising a preventive function in peacetime, and in particular, it has to be reinforced in those branches and services which have been underdeveloped in the past. They were underdeveloped because everything was based on the Army, from antiaircraft defense in the first place, to the effective organization of antitank combat at greater distances.

[Jez] A short while ago you yourself proposed a thorough reorganization of the government, which would obviously be a political reorganization as well. Now, a proposal for reducing the number of ministries is circulating; this sounds like a "technical" reorganization. Are you personally satisfied with that proposal?

[Jansa] My proposal for reorganization within Slovene politics, primarily the ruling part of it, was based on assessments of what the situation is like today and what we can expect in the future. There have not been any arguments about the assessments. The claims that the essence or even only the outline of my proposal was some sort of coup or overthrow of the prime minister, as some newspaper articles said, are laughable. They almost completely overlooked the fact that I was only proposing replacements in individual positions. Lojze Peterle, who has demonstrated several extraordinary capabilities in certain areas during the last few years, would be able, in the position of president of the Assembly—which, by the way, is really no less responsible a position than prime minister—to take some key steps to achieve Slovenia's

international recognition because of Christian Democracy's international ties and because he would be relieved of the heavy day-to-day burden of his operational duties. As prime minister, he lacks the capacity for strategic analysis, and perhaps some decisiveness in coordinating the ministries' work. Assembly President France Bucar has already expressed on several occasions a desire to go to the Constitutional Court, although he was not enthusiastic about the combination proposed now. A year's experiences and attempted changes in the government clearly indicate that partial changes are not possible in a realistic time.

I am firmly convinced that in these decisive times, the government is the operational body that has to pull Slovenia out of the dangerous maelstroms of drowning Yugoslavia and make it capable of independent existence and integration into international processes. Even though there will still be considerable military danger for some time to come, unfortunately, it is already clear today that the final tests are awaiting us primarily in the economic and foreign policy areas. It would be stupid not to use all of the available human resources that Slovenia can afford for those crucial steps. In a situation in which everyone recognizes the correctness of certain assessments, but at the same time no one, neither an individual nor a party, is willing to sacrifice anything in the short term so that the ruling political body can be organized in a way that is appropriate for these times, we have to become concerned. To be sure, there is a tried and true democratic remedy for such a situation, i.e., elections; but they are out of the question, precisely because of Slovenia's extremely sensitive foreign policy situation and partly because of its security situation as well. Let us hope that we will get through this even so, although I am very afraid that my analyses, on the basis of which I proposed a reorganization, are also correct this time. In general, assessments by politicians are too optimistic everywhere in the world, since the public would rather hear good news. Political marketing in mature states is one thing, however, and another is the fact that we are unfortunately still in a situation in which only sober political realism can save us from the crisis.

I said in the very beginning that it was only my proposal, and that other ways of solving this problem and reorganizing were probably possible as well, and I made that proposal in such a radical form primarily because I think that seeking partial solutions does not lead anywhere. We were reorganizing the government for a whole year, but when it came to names, there were major problems, and the ones who left, with the exception of Mr. Stanic, were primarily the ones who wanted to leave themselves. If any of them, including Mr. Mencinger, had insisted on staying, he would have stayed without any problems, since you can obtain allies within such a dispersion of political power. This reorganization, the reduction in the number of ministers, will probably not go through, either, before the next elections. This law is very necessary. The government, as it is, was derived from the previous system when Slovenia was not performing key

state functions, and instead Belgrade assumed them. The organization is still the same, and the ministries are still organized in the same way, except where we have strengthened the state-creating ministries. If a state cannot function with such a government in normal circumstances, it can do so even less in abnormal ones. It will stop, however, at the point of dividing up those ministries. The essence of my proposal was that the government would not be composed primarily according to party rules, that is, not on the basis of the kind of breakdown that was prepared after the elections, when each party also got a number of ministerial positions on the basis of the number of votes in the DPZ [sociopolitical communities]. Then the selection of personnel was limited to the membership of a given party and the judgment of that party. Clearly, you cannot completely avoid that standard, but it should not be the key standard. We cannot overlook more capable people who are somewhere in Slovenia and would do better work, because someone is not a member of a certain party which has gotten a certain ministry precisely on the basis of this key, and because of that they cannot become involved.

[Jez] Does that very fact mean that the patronage of such a government does not allow individual ministers to function optimally, and that they are frequently forced to act on their own initiative and to improvise?

[Jansa] In a government in which there are almost 30 ministers, the key problems are lost. If the government meetings were public, there would be far fewer problems, since during this past year the public would also have been aware of where the problems were, where there were none, and where there was too much administration; but it was informed about the government's work only through press conferences, and that oversight mechanism does not exist. The problem is not that there was no opportunity for initiatives. That opportunity exists. This initiative, however, does not always represent only something positive for a government as a collective body. There can also be negative consequences if there is no coordination, and there has not been good coordination for the past year. This is not just because of the prime minister, but also because of the system's structural problems.

[Jez] The war does not indicate that.

[Jansa] In the war, the coordination of the crucial steps took place within the extended Presidency of the republic. Some other ministries also functioned well, not just defense and the police.

[Jez] Is it even possible to reorganize the government thoroughly if there are not certain changes in the Assembly as well?

[Jansa] I do not know. Practical experience will show what is possible and what is not. I am very afraid, however, that my assessments were correct this time as

well and that postponing the problems will not be good for any of us, because it is not always possible to make up for lost time.

**Slovene Military Experts Analyze War in Croatia**  
*91BA1126A Ljubljana DELO in Slovene 31 Aug 91  
pp 18-19*

[Interview with Slovene Defense Minister Janez Jansa and Prof. Anton Bebler by Janko Lorenzi and Marko Pecauer; place and date not given: "A Very Unique War"—first paragraph is DELO introduction]

[Excerpts] A war on which people still do not agree if it is a real war or not is raging more and more in Croatia. They still have not clearly said with whom they are at war. We who are looking at the matter from the outside still cannot understand all of their actions. We attempted to analyze what is happening in Croatia in an interview with Slovene Defense Minister Janez Jansa and Dr. Anton Bebler, a professor at the FSPN [School for Social and Political Sciences].

[DELO] What is the real goal of the aggressor, that diverse mass of very different units that are carrying out the aggression against Croatia? Is it just the border of Greater Serbia, or is there a danger that the conflicts may spread to all of Croatia and even further?

[Jansa] That danger exists, but after the outcome of the events in the Soviet Union it is less. With the failure of the broader prospect for the military leadership—the restoration of socialism in Yugoslavia—they are objectively representing the positions of Serbian politics. In that situation there is no longer any Yugoslav option. I am not cherishing any illusions that the military machine would stop if the military actions in Croatia yielded quick and favorable results for the Serbian position. It can keep going because of impetus and inertia, and the factor of grievance and revenge also has to be taken into account. In spite of that, it probably is not realistic to expect any real, prepared, organized, and sufficient attack against Slovenia. We cannot rule out the possibility of retaliatory incursions: for example, an air strike. Of course, the possibilities for something like that are less every day. The danger that there may be quick military results lies in the fact that Croatia is acting defensively, which requires an enormous amount of military materiel, primarily ammunition of all types. No weaponry is of any use if the ammunition is used up; but the borders have been closed for this type of imports. The question is how long they will still have the means and forces available for defense.

[DELO] The Army will probably not have such problems for a long time to come.

[Jansa] No, because its rear is secure, and not just in Serbia. It has all the military storage depots. The JA [Yugoslav Army] still has enormous resources. They are enough for 10 years of that kind of war.

[Bebler] In the terminology used by the top generals, they talk about their military operations as exclusively defensive military operations, as operations that are intended to preserve Yugoslavia, and as operations whose intention is to protect the supposedly unarmed and poor Serbian population against terror. The JLA [Yugoslav People's Army] has not yet made any public statement about securing the external borders of Greater Serbia, in one way or another; but if we look at the areas where the JLA is being used, we see that they primarily coincide with the Memorandum boundaries of Greater Serbia.

This action by the JLA has already been in preparation for several years, at least since the time when Admiral Branko Mamula (who is from Lika himself) carried out a very far-reaching reorganization of the JLA: the redeployment of its combat units, primarily tank units, and the concentration of most of those units on the territory of the former Vojna Krajina, along Croatia's eastern and southern borders. Mamula deployed a significant portion of the JLA's armored equipment there. Even though at that time the reorganization was advocated as a plan for the protection of Yugoslavia, it is very likely that it was prepared for this scenario.

[DELO] Now, when the war in Croatia has already been going on for some time, could you make any comparisons with the war in Slovenia, primarily in the military area? [passage omitted]

[Jansa] There are several points in common, and differences. The principal difference is in the situation in Slovenia and Croatia with respect to national homogeneity, and the clear definition of the opposing sides that arises from it. The latter is more difficult in Croatia, although they avoid this problem more than they should. The next big difference is that Slovenia, in the final analysis, was only counting on the possibility of a forcible attempt to prevent the declaration of independence, and it prepared for that. The Croatian leadership, however, for at least the last half year, has been betting that a war would not happen and that the JLA would not openly side with the Serbian separatists. The consequence of that mistaken assessment is that Croatian defensive power has been lagging behind for the last half year. Although they talked a lot about it, it is obvious that not enough was done.

Croatia is also in a more difficult position because of the closeness of the rear support that the Serbian rebels and the Army have. In Slovenia, those lines were longer. Croatia, to be sure, did not restrict the Army in any way, but the Army had to keep enough offensive forces in Croatia in case Croatia's position changed. Now, when the Army is withdrawing from Slovenia, there is no longer any need to care what is happening behind Croatia's back. The Army is losing the ideal position for the complete conquest of Croatia. In that regard, Slovenia's territory is of inestimable importance from a military standpoint. The JA's withdrawal indicates that now the option of a Greater Serbia, or the struggle for Serbia's historical borders, is more at issue than the restoration of

Yugoslavia or the complete conquest of Croatia. Of course, the question is whether there would also be a collapse in Croatia as well if only half of the republic were occupied, since politics cannot endure that....

[Bebler] And it would also be hard to take economically, because they would be cut off from Dalmatia.

[Jansa] That situation is forcing them to engage in war. If you do not have the resources for it, you go from defeat to defeat, which leads in the end to collapse. But I think that that will not happen, also because of the accelerated internationalization. Croatia is now faced with holding on for a few more weeks.

[Bebler] Also interesting is the fact that the Croats are trying to capitalize on their own mistakes and weaknesses. They are portraying themselves as victims in an unequal conflict that is threatening them with total destruction. Judging by what is happening, that is not true. The battles are being conducted primarily for complete control over all the areas where there is a majority Serbian population, and for strategic points that link those enclaves. Beyond them, there is virtually no real combat, and it does not appear that the JLA is actively preparing for anything like that. It seems that the amputation scenario is still in effect: taking the Serbian areas out from under Zagreb's control, and leaving the rest of Croatia to fend for itself.

[DELO] Croatia, then, did not seriously expect the kind of war we are witnessing now to take place. It did not make suitable preparations, and apparently it does not have any real defense concept. Perhaps now, at least, when the war is already going on, it can be seen that Croatia has nevertheless prepared some sort of defense concept?

[Jansa] Everything begins with a clear policy, and that is what is most lacking in Croatia. That is also doing it a great deal of damage abroad. Before even talking about a military concept and military actions, Croatia should have done at least two things more precisely. In the first place, it should have clearly defined its legal status, and its political status as well. To be sure, it passed independence laws, but in contrast to Slovenia, they have not even gone into effect. The Croats were counting on that difference, but it turned out to be to their own detriment. Foreign countries do not look at what some high-level politician says, but instead only at what the parliament passes. Croatia should have recalled its citizens from Federal institutions, or at least defined their status more clearly. It should have recalled the Croatian members of the Federal Government. Now tragicomic situations are occurring, when at the meetings of the Federal Presidency where members of the government are also present, it is mostly Croatian representatives who are sitting there and they are the ones most against Croatia. Croatia should also have clearly defined the status of the president of the Presidency, who is a Croat. His resignation is perhaps not the best solution, but he should have

clearly defined his attitude toward the Army as a subordinate institution, and said that he, as the president, does not have any influence over the Army which is attacking his own people. People abroad do not understand that these positions are not clear. [passage omitted]

[Jansa] The other thing that Croatia should have done in the political area is a more precise position toward its own non-Croatian inhabitants. Many unnecessary mistakes were made in that regard, particularly verbal and symbolic ones. Croatia probably could also have made better use of the international ties of its parties, and not just the HDZ [Croatian Democratic Community]. As far as the government is concerned, the present one is certainly better than all of the previous ones. It is only on the basis of a clear definition of the political problems, however, that a successful defense concept could be developed.

[DELO] Now it seems that one does not even exist. It seems that individual areas are each defending themselves, as well as they can.

[Jansa] Of course, because there is no joint concept. Now it is not possible to prepare one suddenly, and even less so to promote it on the battlefield. They lost a whole year before this.

[DELO] In general, how is the defense going? The local police and national guard are defending themselves on their own account, and reinforcements are being sent to them from Zagreb...?

[Jansa] Croatia made a mistake when it formed a military organization within the police, under the pretext that everything would be in accordance with Federal law. It thus left a lot of issues unresolved—authority, command, subordination, etc.

[DELO] Territorial defense has not been organized?

[Jansa] It was organized, but they did not bet on it. In the first place, because its weapons had been taken away, and in the second place, because it was dominated by inherited Serbian personnel.

[Bebler] And they also moved away from the concept of an armed population.

[DELO] Why did General Spegelj actually resign, or was dismissed?

[Jansa] They replaced him because he advocated simultaneous action by Croatia at the time when Slovenia was attacked. That was the last reason, but there were also conflicts even earlier, and in any case it was because of the basic disagreement between those who claimed that there would never be war in Croatia (i.e., that the Army would not intervene), and those who thought that there would be. Spegelj was among the latter. In the military area, he was one of the few people who had completely realistic views.

[DELO] What is the fighting morale like in Croatia—on the part of those who are fighting, and Croats in general? The basic political indecisiveness is probably not strengthening it.

[Jansa] Certainly not. The constant defensive that is characteristic of Croatia is dangerous, since in time you become convinced that you are not capable of any offensive, of any victory. That slowly turns into a qualitative factor.

[Bebler] Croatia really is on the defensive strategically, although at times, and in some places, it attempts individual offensive actions, primarily in the empty gaps where there are no JLA units or other opponents. The internal affairs forces try to establish their presence at such weak points at least symbolically. The big question is whether that has any effect.

[DELO] To what extent is the shortage of weapons responsible for Croatia's defense difficulties?

[Jansa] It is certainly a big problem—especially the shortage of effective antitank and antiaircraft weapons and ammunition. Once again: If the conflicts continue, that will be the principal problem during the coming days and weeks for Croatia, which does not have any rear support. The borders for imports are closed, and Slovenia also cannot help in this regard because it is facing the same problem. The borders are also closed for it with respect to weapons and ammunition.

[DELO] Isn't it possible to find a solution through the international black market in weapons?

[Jansa] It is possible to buy everything on the black market, but the countries that are not permitting arms exports are not permitting them to be transported either, of course, and those countries are all around Yugoslavia. I can understand Croatia's lamentation in this regard. Of course, a realist will reconcile himself to the situation as it stands, find a way to cope with the resources that he has, and adjust his tactics to this. Croatia does not have and never will have enough material strength for a defensive, since that requires gigantic amounts of military materiel.

[DELO] All of Croatia is a sort of Maginot Line....

[Jansa] Therefore, they will never have enough weapons for a defensive. To be sure, Slovenia faced the same problem: On 25 June it had less military equipment than Croatia. I am very familiar with these facts. And after 24 hours of combat activity, we used almost 60 percent of the antiaircraft weapons, a great deal of ammunition, etc.

[DELO] Isn't it somewhat too early to reveal such information?

[Jansa] No. It was precisely because of that, and also for some other reasons, that we were forced to go on the offensive. Through attacks against military storage depots we obtained substantially more antiaircraft weapons and ammunition, which was also used up in a

few hours. A decision had to be made, obviously. We were also forced to go on the offensive by our deficient antiaircraft defense. When the bombing from the air began, we were forced to establish a balance where we could, i.e., on the ground. After the order to go on the offensive (the local TO [territorial defense] commands were given a fairly free hand in this regard) the TO seized about 50 military installations in two hours. We also went on the offensive where the Army had not launched any hostile actions. This, of course, was a difficult decision that caused some hesitation and opposition at the local level—"Why should we attack the barracks here if they do not intend anything against us there?" From a narrow point of view such hesitation was correct, but from a broader one it was not, because the answer that imposed itself here was: "All right, there are no conflicts in your area and there will not be any casualties, but therefore there will be that many more of them in the neighboring opstina. It is better to establish some sort of balance than to have the border regions against which the aggression was directed be the only ones to suffer." Well, Croatia is facing the same problem—Osijek and Vukovar are bloody, but elsewhere the Army is walking around as if nothing was happening. In some places it is even given police protection.

[DELO] By the way, was Slovenia also in better shape than Croatia during the war because of its configuration?

[Jansa] In part, yes, although in its own way the plains are also awkward for the use of armored equipment, at least in the summertime, especially if the enemy has suitable means of creating obstacles, especially explosive mines. The Croatian forces are using them now and stopping the tank columns. According to our information, in some places they have them blockaded the same way as in Slovenia.

[DELO] What are the Serbs and the Army thinking of doing with the large cities in those territories which they already more or less control or own, and where as a rule there are fewer Serbs?

[Jansa] The Army is probably not intending to conquer them by force. From a military standpoint, however, you can surround them, cut them off, occupy communication points, and do the same thing that we did with the barracks, that is, take away their infrastructure and wait for the defender to run out of ammunition, which can happen very quickly; and then the cities surrender, of course. There are large concentrations of the civilian population there, and no one will risk defending them with bare hands.

[DELO] The harshness of the fighting in Croatia is probably also aimed at that. It has to do with massive intimidation of the population; and the cities empty themselves.

[Jansa] Yes, clearing the ground. It is a classic, bloody tactic.

[DELO] The Croats are now talking a lot about self-reliance in manufacturing weapons. They are manufacturing armored transports, etc. Does that have any real basis?

[Jansa] Very little. No one has yet set up a defense industry in a few weeks or months. Of course, in case of great need any means will help, even if it then looks funny on the screen.

[Bebler] In this regard, a factory where tanks are assembled is in Croatia, in Slavonski Brod....

[Jansa] A while ago the workers themselves stopped the delivery of 30 tanks, and kept them there; but then Zagreb allowed the Army to drive them away.

[DELO] The Army claims that it is neutral, and is furthermore only defending itself. Many local commanders, however, are obviously on the Serbian side. Is it because the entire military leadership is too, or is that leadership still divided into pro-Serbian and pro-Yugoslav generals, with the local commanders taking advantage of that division and doing what they want?

[Jansa] The breakdown of the Army is more extensive than it outwardly appears. Yesterday, for example, we received a message from the general staff's third administration about sending off recruits in September, which also includes Slovenia, and demands 3,500 conscripts from it. It seems that they do not even watch TV.... The split between the pro-Serbian and pro-Yugoslav parts of the military leadership is decreasing, however, since the pro-Yugoslav part was also defined by a vision of socialism that has now failed. What happened in Slovenia also contributed to this. Thus, those who always swore by Serbian politics and their patronage, gained. It also has to do with the purely professional perspective of those generals who only still see possibilities for themselves in Serbia. The willfulness of the local commanders is different, of course, greater in some places and less in others. However, in spite of its own breakdown, as an institution the Army is still acting in a more or less centralized manner, and if its leadership really wanted hostilities to end, it could achieve this.

[Bebler] In a genuine conflict between the Croatian authorities and the Serbian rebels in Croatia, the Army leadership, in any case, cannot be neutral—for both ideological (hostility toward the HDZ regime) and national reasons. For many officers, that symbolic and also emotional attachment to the idea of Yugoslavia is in conflict with the JA's alignment with the rebels. The way out of this conflict, this contradiction, appears in the differentiated behavior of the JLA at different levels. The military leadership is trying to preserve this general Yugoslav state in some way, or at least to conceal its frequently hypocritical bias in the conflicts. That still applies in a way at the level of the commanders of the military regions, and perhaps the corps commanders as well. The lower we go, the less restraint there is, and in some way from the brigades on down, the commanders are allowed to express their bias openly and actively.

Thus, at the lower levels there is unrestricted cooperation between the JLA and the rebels, which among other things is manifested in supplying the rebels with weapons. It is very possible that all sorts of things that were formerly the property of the Slovene TO are now in their hands.

[Jansa] There is specific information that 15 railcars of older infantry weapons went there.

[Bebler] The latest protest from "our" army corps about alleged Slovene sales of weapons to Croatia is probably a propaganda maneuver that was intended, among other things, to conceal that use of the weapons stolen in Slovenia. The Army is consequently giving the rebels primarily weapons, ammunition, intelligence information, and also food. The local population and authorities are offering the soldiers drinks, warm food....

[DELO] And warm feelings....

[Bebler] And thus, the Army feels at home in those Serbian areas in Croatia. There are very clear indications of very widespread tactical cooperation between JLA units and the rebels. Kijevo is a concrete and fresh example.

[DELO] We could probably say that the rebels in Croatia would not be a serious military threat without direct and indirect support from the JA.

[Jansa] Certainly not. That probably even applies to the Knin Krajina, where the uprising began. In any case, without the military factor the uprising probably would not even have happened at all.

[Bebler] The Knin Krajina (these are very passive areas) was kept alive as a ministate by outside assistance from the JLA and by economic assistance (admittedly limited) provided by the JLA to members of that Krajina's armed forces, and also by the Serbian Republic's support. Economic and financial assistance was also provided by Zagreb, however: Supplying the SDK [Public Auditing Service], retirement and health insurance, and complete subsidies for the Knin Krajina, which flowed from Zagreb up until this April. They thought that by doing this they would isolate the extremists in the Serbian ranks. This was a calculation that did not work out.

[DELO] Will Croatia be crushed militarily if the military and also economic and other pressures continue for another two or three weeks?

[Jansa] I think that the pressures will not continue with such intensity, or that there will be temporary halts. I also think that Croatia will not be completely crushed. That also would not be good for us.

[DELO] What can internationalization contribute? The latest declaration by the European Community was a step forward in the Twelve's mediation in what is happening in Yugoslavia. This probably suits Croatia a great deal, but it is double-edged for Slovenia. At least at

first glance, it does not seem to suit Serbia in any respect. In your opinion, what will Milosevic do now?

[Jansa] The first responses have already been made—one more predictable, and the other less so. Serbia will probably not directly oppose that declaration. If it does, it will be hurting itself the most. I do not see any really big dangers to Slovenia in that declaration, but Slovenia's international position is very closely connected with Croatia's. The British Government's doubt that just recognizing Slovenia and Croatia would not solve the Yugoslav problem applies even more if we are talking about only recognizing Slovenia. The factor that changes political positions is public opinion. That public opinion is now working in our favor, but indirectly, through Croatia. This has to be recognized. The internationalization of the problem in Croatia can save Slovenia from the military danger, but it is thus more closely tied to settling its fate together with Croatia.

[DELO] What will Serbia do, however? Essentially there is still a little time left. In those days, will it attempt maximum military engagement and the expansion of its influence upon Croatia?

[Jansa] We Slovenes have had bad experiences with peace conferences. We have always lost there. If there is a peace conference and if the balance of forces is the one indicated in the declaration (the Federal Presidency, the Federal Government, and only one representative from each republic), then that balance of forces will hurt us more than it will help us. The forces that are oriented in favor of Yugoslavia are still dominant in the world. Serbia's obstinate attitude, however, is helping us in a way.

[Bebler] I do not believe that that indirect threat to Serbia will do any good and that it will change its policy. It is possible that it will choose the hypocritical approach of a feigned acceptance of the declaration. It will agree to participate in the conference, but at the same time provide stepped-up support to the Serbian rebels in order to secure the kind of position in the field that will allow maintaining the status quo. In the worst case for Serbia, that would allow at least achieving a clear, politically separate status for the Serbian areas within Croatia—some sort of Serbian Banovina in Croatia.

There is no support at all in the European Community countries for intervening in any way with a military mission, with armed troops that would separate the two sides. The noncombat use of EC military units and capabilities to establish a buffer zone and protect large numbers of refugees is possible, however. That was discussed at the very beginning of an international conference in London by Francois Heussberg, the director of the International Institute for Strategic Studies in London. That was the first time that any high official from an EC country had publicly discussed the possibility of a humanitarian military intervention on Yugoslav territory in the same way as it happened in northern Iraq in connection with the Kurdish refugees....

[Jansa] That will not solve the problem of Croatia, however.

[Bebler] It will not solve it, but such an intervention would have a very powerful political effect. On one hand, it would help Croatia to avoid a military defeat, and on the other hand, it would seal the partition of Croatia. The fact that such a possibility is being discussed at an international conference indicates that there are already more specific proposals and agreements on the possible use of troops in this way, either from NATO or the West European Union, on the territory of Yugoslavia. At this level of conflict and with this urgency of the refugee problem, the likelihood that something like that will happen is still remote.

[DELO] How can Slovenia help Croatia, or can it even help it at all? Political support is probably self-evident, but we are probably not able to help Croatia economically. At least in part, that also applies to military assistance. If it is not possible to help with weapons, is it possible to help at least with military know-how?

[Jansa] Slovenia can help Croatia with political and diplomatic support, military and political know-how, intelligence information, medical assistance, and also indirect military assistance.

[DELO] In what form?

[Jansa] Under Slovene law, the TO can only be used on the territory of the Republic of Slovenia. Consequently, any sort of direct military assistance is ruled out. Also, Croatia does not have any problem with the size of its forces, just with their equipment. Assistance in the form of military materiel—very limited, of course—is possible. That is a political decision, of course. In this area we have cooperated well in the past—that is no secret—since we were in the same position. It should be stated, however, that this did not involve our selling JLA weapons to Croatia, as the Army claims. Furthermore, Slovenia is in the same position as Croatia with respect to importing military equipment. The embargo applies to all of Yugoslavia, including Slovenia. Also, we are not economically capable of doing anything like that. I must say, however, that within the limits of our capabilities, Croatia has never been excluded from our assistance.

[DELO] Has Croatia ever inquired specifically about the experiences that Slovenia acquired in the short war and about our defense concept?

[Jansa] Of course. That interest was very strong. Before independence we coordinated certain activities. Then, when Croatia's position was different, that coordination stopped, as had been agreed and expected. There was tremendous interest in our military experiences, however. My colleagues and I have discussed these issues in recent months with most of the heads of the crisis headquarters, with almost all the opstina mayors, and of course with the members of the new government as well. Consequently, an exchange of information exists, but it

is difficult to make use of other people's experiences without the preparations that we had previously made. It cannot be done in a week.

### Slovene Unions Oppose Laws on Privatization

#### Laws Criticized

*91BA1080A Ljubljana DELO in Slovene 28 Aug 91 p 2*

[Article by C.R.: "Dissatisfied With the Law on Privatization"—first paragraph is DELO introduction]

[Text] Independence-Confederation of New Trade Unions has numerous criticisms of the proposed law

Ljubljana, 27 Aug—The republic council of Independence-Confederation of New Trade Unions of Slovenia, at today's meeting, again discussed the law on the privatization of enterprises and the law on denationalization. The trade union thinks that the situation requires immediate privatization because enterprises must obtain interested owners in order to earn a profit.

Employees should be offered an attractive model for acquiring property; otherwise, there will be an avalanche of dissatisfaction, which, to be sure, is a consequence of the former totalitarian communist regime. It should not be payment to the state of the full amount of at least 50 percent of the enterprise's value, but rather a model through which employees will become co-owners of the enterprise through their own investments in their own enterprise.

The law must take into account to a great extent the capital investment by all strata of the population, which during the past period, through their work and sacrifice, have made a fundamental contribution to increasing the value of social capital. In order to increase the motivation for work and joint creation, Independence-KNSS [Confederation of New Trade Unions of Slovenia] proposes that about 20 percent of the social capital be distributed free to all employees, with certain safety mechanisms.

Independence-KNSS thinks that the state cannot play an active role in an enterprise, and consequently funds should be established immediately after this law goes into effect.

Independence-KNSS proposes that large enterprises also be allowed to decide themselves on the possible means of transformation, just as this applies to medium and small enterprises. This would also give those enterprises a certain autonomy. All enterprises would also be put on an equal footing immediately, in the beginning.

The law is completely abandoning (with respect to the draft) the possibility of additional capitalization for enterprises by issuing additional shares or exchanging debts and other obligations for shares in an enterprise.

Independence-KNSS is also proposing that the Assembly, immediately upon passing this law, also pass

auxiliary laws, primarily a law on investment funds, a law on a compensation fund, and also regulations on the method for the general distribution of shares and the general restructuring of the economy.

### Proposals Presented

91BA1080B Ljubljana DELO in Slovene 28 Aug 91 p 2

[Article by Silva Ceh: "Federation of Free Trade Unions of Slovenia Demands That the Law on Privatization Be Sent Back to the Draft Phase"—first paragraph is DELO introduction]

[Text] The trade unions are demanding passage of the law by at least a two-thirds majority, if not by a referendum: "The law on cooperatives is extremely discriminatory."

Ljubljana, 27 Aug—Is the hired man Jernej the outlook for Slovene labor? That alternative, offered by the property laws, was condemned at today's special conference by the members of the Federation of Free Trade Unions of Slovenia [ZSSS] at Cankar House (there were about 450 of them, including guests). They are demanding that the proposed law on the ownership transformation of enterprises be sent back to the draft phase; and that the property legislation be passed by a two-thirds majority, if not by a referendum. The food and processing industry trade union is announcing a rally tomorrow in front of the Assembly, which will be passing two of the three property laws—the law on denationalization and the law on cooperatives.

"With these laws, the legislator has taken care of itself, i.e., the state," stated ZSSS President Dusan Semolic in the opening speech. "It has also taken care of the former owners. Of course, it has not taken care of the workers—those to be dispossessed in the future—whom it did not invite to help prepare the legislation. The state is thus becoming the obvious majority owner. Because there is no capital at home, it will seek it abroad. There are no safety fuses anywhere as to how far foreign capital can go, just as there is also no law on joint management. The legislator is not interested in economics, but rather in political goals. It deliberately bypassed labor in preparing the laws. It is counting on material pressure upon people, since it is clear that it will not be possible to carry out the magnanimous offers in the form of workers' purchases of enterprises. Citizens' shares are an unfair offer for workers, who are the enterprises' biggest creditors, in view of all their postwar voluntary contributions, low wages, and similar sacrifices."

"The law on cooperatives," Semolic thought, "is extremely discriminatory toward those employed in agricultural activities and consequently toward all those employed in sectors associated with agriculture. From article 53 on, this law is not only at odds with economics, but also with justice. It is actually a matter of theft; and the tragedy of these days is that the authorities deliberately want to set farmers and workers against each other. The week before us is a fateful one, if not already a dark week for Slovene labor. We will do everything possible to have that darkness encompass part of the self-infatuated authorities as well."

All of the participants in the discussion were also similarly angry. Thus, Dusan Cater (from the agricultural and food trade union) thought that the transfer of a majority share in that industry to cooperatives was a theft unknown to Europe—the robbery of the century. This trade union is arranging a rally in front of the Assembly tomorrow at 0930.

There were many bitter words directed against laws that are putting workers in the position of hired hands without any rights. They also adopted a public response to Dr. Joze Pucnik, saying that they are not Semolic's trade union. Semolic is only the president of a trade union with 400,000 members, and not its owner, since the ZSSS still does not have such a statute on privatization.

They adopted positions on the proposed law on the ownership transformation of enterprises. This law, above all, should be sent back to the drafting phase. As it is now, it is primarily a political law, and consequently the authorities should also assume economic responsibility for its consequences in addition to political responsibility. At any rate, such a property law has to be based on the fact that it will allow enterprises greater efficiency and autonomy during the transformation of ownership; promote additional capitalization; grant shares to the former owners, and at the same time grant at least a 30-percent share in social capital to employees and retirees.... The denationalization law should give payments in kind only in exceptional cases.... Chapter 10 of the law on cooperatives should be gotten rid of....

Consequently, that is what was written in the positions adopted; and in the discussion, like Rajko Lesjak, they angrily asked, "Mr. Peterle, what will you do if the workers do not turn over the enterprises?", or noted that the authorities were still not familiar with the social-welfare situation, since otherwise Dr. Ocvirk would not be convinced that the 6,000 German marks (needed for purchase by workers) is probably not unattainable for employees.

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